

Turkish Army promises civilian Cabinet this week

The Turkish military who seized power last Friday are to appoint a civilian government this week. General Evren, head of the junta, said yesterday that the Army would return to barracks once a new constitutional structure to safeguard against anarchy had been set up. He seemed reluctant to say how long that would take.

No date for return to democracy

From Mario Modiano
Ankara, Sept. 16

Turkey's military leaders sought to reassure the world today that the Army, which seized power last Friday, would return to barracks after giving the nation a new constitutional structure to safeguard against anarchy and political chaos.

However, General Kenan Evren, the Chief of Staff, who heads the ruling National Security Council, seemed reluctant to say how long the transition to democratic rule would take.

Facing a prodding throng of international journalists at a press conference, he spoke of a "reasonable period of time" being needed, but the extent of the structural reforms that he outlined suggested that this could hardly be a matter of months.

The National Security Council, he said, "is determined to remove all obstacles which have hindered the healthy functioning of the democratic order so far, in a way that would preclude for ever the need for similar interventions."

General Evren was sitting alongside the chiefs of the Army, the Navy, the Air Force and the gendarmerie, who are members of the junta. General Kiyas Salik, the council's secretary-general, who is widely regarded as the regime's eminence grise, was seated separately. They were all in uniform.

Security precautions at the junta's first public appearance were hardly noticeable, although journalists needed double accreditation to obtain access to the cabinet room of the Prime Minister's office, where the press conference was held.

The discretion with which the military are maintaining their grip on the country reflects perhaps as much the high esteem enjoyed by the armed forces here as the understandable tendency of the ruling junta to lie low for a while.

But observers in Ankara are wondering whether political violence can be wiped out by the military as rapidly and as effectively as the political graffiti which they ordered to be washed off the street walls.

General Evren said that a civilian government would be appointed later this week, to which the National Security

Council would delegate executive authority. It is understood from regime sources that it will consist mainly of technocrats under a carefully selected prime minister who will be as apolitical as is possible in Turkey today.

According to the general, a provisional constitution will be prepared to rectify the disconcerting flaws detected during the application of the abolished charter which itself had been the product of corrective military interventions.

The final text of the new constitution would be endorsed by a constituent assembly. "It is our purpose," General Evren said, "to restore civilian administration after completing the legal arrangements within a reasonable period of time."

The armed forces had intervened because the politicians had failed to realize that only those who believed in democracy were entitled to democratic freedom.

There had also neglected, despite repeated warnings, to produce the legislative measures needed to ensure this, or to ensure that the coming generations would be equipped to defend democratic values.

The last straw, General Evren explained, had been the "acceptance" of a "sectarian and ethnic differences in order to divide the nation. He suggested that if the coup had not taken place, "these treacherous forces would have infiltrated the armed forces and attempted to divide them as well."

Since Friday's coup, several thousand militants of the extreme right and left have been rounded up, but there are no official estimates of the numbers.

Among them are about 80 parliamentarians, with penal charges pending against them, but whose immunity had blocked action by the judicial authorities. Summaries of these charges are likely to be made public shortly.

General Evren repeated today that the regime had no intention of prosecuting politicians for their political activities or beliefs, but only for criminal offences. It is understood that both Mr Necmettin Erbakan, the leader of the Muslim fundamentalist National Salvation Party, and Mr Alihan Karakas, leader of the National Action



General Kenan Evren at yesterday's press conference.

Party, will be liable to prosecution. The general was asked about the fate of the main political leaders arrested or detained. He said without betraying much irony: "They are not under arrest, nor are they detained. They are free to move as they like where they are now." Mr Demirel, the deposed Prime Minister, and Mr Ecevit, the opposition leader, are confined in a military camp at Gallipoli. General Evren said they had been sent there for their own safety and would be allowed to return "after we have reached a quieter period." Parties had not been abolished, merely suspended.

Two aspects of government policy will remain unchanged,

according to the leaders of the coup: the country's foreign orientation which is marked by loyalty to Nato, and the economic stabilisation programme followed by the deposed Demirel government. The general expressed the hope that the West would abide by its economic pledges to Turkey. There was little doubt that the relaxed manner in which Turkey's military rulers faced the world's press reflected a conviction that their action had been right, that their grip on the country was firm, and that the world at large was displaying towards the junta perhaps greater tolerance than it has shown to the leaders of military coups elsewhere in the West.

EEC restraint, page 5

Libyans get life for murder of exiles

Two Libyans who masqueraded as tourists to enter Britain and murder a fellow-countryman as he left a mosque in London, were jailed for life yesterday. Third Libyan was jailed for life for murdering another man.

Ben Hasan Muhammad El Masri, aged 28, and Magib Mufira Gasm, aged 26, arrived in the first week of February as tourists. Mr David Tudor Price, for the prosecution, told Mr Justice Kilner Brown at the Central Criminal Court.

"It is clear from the evidence that while masquerading as tourists, they came to this country in fact as assassins to murder for political motives."

Mr Masri, of Cornwall Gardens, South Kensington, and Mr Gasm, of Princess Court, Bayswater, pleaded guilty to murdering Mr Muhammad Ramadan, a journalist, on April 11.

Mr Gasm admitted possessing a revolver and three rounds of ammunition with intent to endanger life. Mr Masri denied using a revolver with intent to prevent or assist, arrest, and that was accepted by the prosecution.

Mr Tudor Price said Mr Ramadan was one of eight Libyans murdered in Europe, about the same time. Two were killed in London.

Mr Ramadan, aged 36, had been in Britain since 1965 and was a journalist. On the day he was murdered, a Friday, Mr Ramadan had attended a service at the London Central Mosque at Hanover, City Road, East.

When the service ended, Mr Ramadan walked into the courtyard where Mr Masri shot him in the back at point-blank range with a .38 revolver. Mr Tudor Price said.

Mr Masri fired three bullets into the back of Mr Ramadan's back. The shots caused fatal internal injuries. "It is not entirely clear where Mr Gasm was at that moment," Mr Tudor Price said. "But wherever he was he was in possession of a pistol."

When later interviewed by the police about his part in the matter, he said that if Mr Ramadan had escaped from Mr Masri he, Mr Gasm, would have shot him himself with that gun.

After firing the shots, Mr Masri ran from the courtyard and was caught by two unarmed policemen.

As Mr Masri fired, three policemen were passing in a Panda car. One of them, Police Constable Richard Tyson, heard the shots and saw Mr Masri run from the mosque holding a gun. PC Tyson jumped from the car and ran after him.

Mr Masri appeared to turn and fired his revolver in the general direction of his pursuer. The shot hit the pavement and ricocheted on to the bumper of a parked car.

Mr Masri said "later that shot was accidental". Mr Tudor Price said, "but whether it was or not is immaterial because it did not deter PC Tyson who continued to chase this dangerous gunman, who was running directly towards another young officer, Police Constable Stuart Graves, on foot patrol in the area."

PC Graves saw Mr Masri fire in the direction of PC Tyson but, without regard for his own safety, he ran across the road.

Continued on page 2, col 4

Rare illustrated manuscript by Leonardo da Vinci expected to fetch a record auction price

By Francis Gibb

An illustrated manuscript by Leonardo da Vinci, considered by scholars to be one of the rarest and most valuable still owned privately, is to be auctioned at Christie's in December.

The 36-page work, known as The Codex Leicester, could well fetch in the region of £5m to £6m, making it the most expensive work of art to be auctioned.

Entitled *Of the nature, weight and movement of water*, it is a scientific and cosmological account, which was of fundamental importance to the artist in his creation of the landscape in the Mona Lisa.

Da Vinci wrote the work in Italy in about 1507. It is written from right to left in brown ink and is heavily illustrated with sketches of water, clouds and the human body.

At the time of his death in 1519, the manuscript was in the hands of his nephew, Luca Pacioli, who was a friend of the Earl of Leicester, and it has been sent for sale by the trustees of the Earl's estate, the Earl of Leicester died in 1978.

The sale, to be officially announced by Christie's at the end of the week, is likely to provoke a furore in the art world. The manuscript has not been offered to the British Library and its sale was not known about by the Office of Arts and Libraries.

It is a statement issued earlier this week, Christie's said, it had never been privileged before to offer for sale a work of such importance and rarity.

The British Library is unlikely to be able to buy the manuscript, when it comes up for sale because it will be paid £850,000 for it by the World Bank, a fourteenth-century Persian manuscript, which was the highest price given for any manuscript.

Even though the library's manuscript experts are likely to recommend that it be bought, the library has to be given a chance to match the purchase price, no institution would be able to raise the kind of sum expected to be paid.

The burden of saving the manuscript will fall on the hard-pressed National Heritage Memorial Fund. But to pay out £5m would remove one-third of the fund's resources.

American museums, such as the J. Paul Getty Museum, and others like the Louvre, are likely to try to acquire the work, and the trustees of the National Heritage Memorial Fund have been asked to explain why the manuscript has not first been offered to the nation.

On a sale at Christie's, the bulk of the purchase price will go in tax. An offer to the nation could have been entirely set against taxes.

Last night Lord Coke, son of the sixth Earl of Leicester, said he could not comment on the sale before its official announcement.

The trustees have already offered several manuscripts in lieu of capital taxes, including a Boccaccio Decameron and an illustrated Divine Comedy of Dante, together with three Byzantine gospels.

NUR pledges support for dock stoppage

By David Felton
Labour Reporter

The National Union of Railmen last night pledged support for dockers who are due to start a national strike at midnight on Sunday.

The union instructed its 6,000 members who work in Britain's ports not to cross picket lines.

Leaders of the Transport and General Workers' Union, which has called the strike over the threatened dismissal of 178 dockers at Liverpool, spent yesterday making contact with British and European unions asking for support.

Mr Sidney Weighell, general secretary of the NUR, also urged support for the dockers' strike, saying the union's backing of the International Transport Workers' Federation, of which he is an executive member, he told Mr Alex Kinnear, deputy general secretary of the TGWU, that his members, who mainly work in British transport docks, would do no work in ports which the TGWU did not picket.

The NUR's involvement could threaten cross-channel ferry services and services from the Kingsford ports in Northern Ireland and the Irish Republic.

A crucial meeting of the National Association of Port Employers is being held this afternoon and will draw up a reply to the TGWU's demand that the temporary suspended register be abolished except for disciplinary offences.

Mr James Fitzpatrick, chairman of the association, said in London last night that today's meeting had to find a solution. "I do not think it is likely to be resolved by the union side, providing the union sees the deadline is called off. They do not want the TUR and neither do the employers."

The employers in Liverpool want to put the 178 dockers who are to lose their jobs on September 30 on the TUR, which would cut their wages from an average £114 a week to £55. The union claims that the employers are bound by the

recommendations of the Jones-Aldington committee report of 1972, which said the TUR should be abolished as a means of dealing with surplus labour.

Mr Eric Bainbridge, director of the association, yesterday met Mr Tom Croft, the union's national docks officer, to clarify the issues. The union has made clear that it does not see increased severance payments as an answer to the problem.

Despite this, the employers are expected to agree to a raising of the maximum payment from £8,500 to £10,000 in the hope of easing their overmanning problems.

Meanwhile pressure mounted in political circles for action to be taken to get the strike called off. Mr Robert Hurry, Labour MP for Liverpool, Scotland Exchange, which covers the docklands, called for Parliament to assemble to discuss the crisis.

Mr George Thompson, the Conservative member for Liverpool, said he had written to Government ministers suggesting that another committee, similar to the Jones-Aldington one, should be set up to bring up to date recommendations which were nearly a decade old.

Liverpool's problems, food deficit plan, industry's fears, page 2

Nalco chiefs overruled by members on pay

By Our Labour Staff

Leaders of 100,000 white collar health service workers who had called for a programme of industrial action, including one-day strikes and an overtime ban, were overruled yesterday by the union rank and file, who voted to accept a 14 per cent offer "as an interim measure."

A delegate conference of members of the National and Local Government Officers' Association (Nalco) rejected the call for action by a majority of almost two to one.

Instead, they decided to continue to maintain links with civil servants, who should be referred for discussion at the Advisory Conciliation and Arbitration Service (Acas).

Miss Ads. Maddocks, the union's national officer for the health service, said after the meeting: "I am very disappointed. I was hoping that the administrative and clerical staff would take action in support of the committee, because the issues are so fundamental."

Union negotiators had rejected the 14 per cent offer because they maintained that the historical link with civil servants' pay, which rose by an average 16.5 per cent, should be continued. Nalco officials believe, however, that they have been influenced by Ministers' statements on pay.

Yesterday's vote could lessen the threat by 3,000 health service engineers who last week rejected a 13 per cent offer and sought the approval of the Nalco leadership to make industrial action.

Mr Laurence Fuller, of Cambridge, who yesterday proposed acceptance of the offer in the interim, said his branch would have supported the call for industrial action in July, but five months after the operative date for the new agreement was "a bit too late."

Russian in Kabul seeks US asylum

From Patrick Brogan
Washington, Sept. 16

A Soviet soldier has taken refuge in the United States Embassy in Kabul and has demanded political asylum. American officials have been in contact with diplomats from Russia and Afghanistan in an attempt to arrange for him to be flown out of the country.

The United States has told both Governments that it holds them responsible for the security of the embassy. The State Department said Afghan troops had stepped up their guard at the mission, but there was no specific indication they intended to seize the building—Reuters.

The State Department could give few details of the defector, beyond that he was a private. There is no one in the embassy who can speak Russian or German, another language that the soldier speaks.

The embassy staff in Kabul has been reduced to a minimum over the past 18 months, since the ambassador there, Mr Adolph Dubs, was killed when the mission was seized by terrorists in February, 1979.

134pc Israeli inflation is world's worst

Tel Aviv, Sept. 16.—Israel's inflation has risen to an annual rate of 134 per cent, the world's highest, official figures showed today.

But Israel, long accustomed to three-digit inflation, took the news calmly, confident that they would be cushioned against the worst effects of the inflation. Hardly had the figures been announced than Treasury officials were making it known that wages would go up next month by Government order by around 20 per cent.

This is one of the wage rises which all employers must pay every three months—Reuters.

Iran MPs take time over hostage issue

Tehran, Sept. 16.—The Iranian Majlis (Parliament) showed its determination not to be hurried over the American hostage issue today by voting to set up a special commission to study the case of the 52 captives held since November 4.

Deputies opted by an overwhelming margin to refer detailed discussion of the hostages to the commission, which is expected to propose conditions for their release and examine documents held by the Foreign Ministry and the military students occupying the United States Embassy in Tehran.

The decision was a setback for hopes of an imminent end to the crisis and showed deputies intended to scrutinize any settlement proposals closely.

Before deputies rejected the alternative motion of starting substantial discussion today, they agreed that when the full debate began it should be in public.

The Majlis voted to defer the setting up of a hostage commission until next Thursday, but political sources doubted whether both its composition and task could be decided in one day.

Yet there was evidence that the Assembly, charged by Ayatollah Khomeini with resolving the crisis, was opposed to further indefinite delay.

In his unexpected intervention four days ago, Ayatollah Khomeini laid down four conditions for the captives' release which did not include a trial or a demand for an apology from the United States for its past role in Iran. But he repeated his order: "First issued seven months ago, that the Majlis alone would set terms for their release."

Mr Sadeq Qotbzadeh, the outgoing Iranian Foreign Minister, said today he thought the hostage crisis could be resolved before the American presidential election. This depended on the speed with which the Iranian Parliament moved in setting terms for the release of the hostages, he said.

"I think there is a possibility. The most important thing is that the (hostage) situation has been unlocked. There is some movement," he said. Carter gloom: President Carter said in Atlanta today that there was no immediate prospect for an early resolution of the Iranian crisis, and that Washington had no basis for believing the situation had improved.

The President, who had sounded more optimistic yesterday, told reporters this morning that he agreed with Mr Edmund Muskie, the Secretary of State, who told a press conference in Washington that there was no resolution in sight now—Reuters.

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BBC costumes head on theft charge

Peter Shephard, aged 55, of West London, head of the BBC's costumes department, was charged last night with four other men with conspiring to steal costumes from the corporation.

The others charged were Anthony Pearce, aged 49, costume design manager of Horbridge, Devon; Douglas Little, aged 51, administrative assistant of Sunna, London; Peter Schelders, aged 50, BBC chargehand of Didcot, Oxfordshire; William Turner, aged 69, retired costumes department member, of North London.

The five men were given bail to appear before Mylestone magistrates next month.


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HOME NEWS

Jewish vote is crucial to several MPs, study by lecturer says

By Peter Evans

Six Jews or people of Jewish origin in the National Front are known to Dr Geoffrey Alderman, lecturer in British government at the Royal Holloway College, London University. Probably there are nine in total, he says in a paper to be presented to a Political Studies Association meeting in Cardiff today.

Controversy surrounds Dr Alderman's work on a more general move to the political right within the Jewish electorate. Support for the National Front is a small, extreme sign of that, he says.

Dr Alderman, a practising orthodox Jew, says that for the National Front, Jewish members, or members of Jewish origin, however few, are excellent propaganda material. "For the Anglo-Jewish establishment there are a severe embarrassment."

Earlier this month, a research report published by the Institute of Jewish Affairs denied a claim that an anti-Semitic and orchestrated Jewish vote exists in Britain.

"Hardly any Jew in the House of Commons owes his position to his leadership of the Jewish community or to an ethnic block vote," Dr Barry A. Kosmin, director of the research unit of the Board of Deputies of British Jews and consultant to the research unit on ethnic relations at Aston University, Birmingham, said.

Dr Alderman says in his paper that since 1974 the Jewish voters of Britain have been

exposed, both by political parties and by conventional leaders, to approach political affairs, and hence to exercise their franchise, in a Jewish way. "In a way, that is, which would reflect and serve their interests not just as British citizens but as Jews."

In 1979, he says, the Board of Deputies, in addition to urging an anti-National Front vote, sent a list to deputies of 85 key seats, in which it recommended approaches to all candidates of the main political

parties "to ascertain their views on Middle East matters".

In the mid-1970s, several MPs, including Mrs Margaret Thatcher at Barnet, Finchley, became "prisoners" of the Jewish voters," he claims.

The MPs, mostly Conservatives, included Mr John Gort at Barnet, Hendon North; Mr Geoffrey Finsberg, at Camden, Hampstead; Mr Thomas Iremonger and Mrs Millie Miller (Labour) at Redbridge, Ilford, North; Mr Tim Sainsbury at Hove; and Mr James Callaghan (Labour) at Middlesbrough and Preston (not the party leader).

In October, 1974, Mrs Thatcher retained her seat with a majority reduced to 3,911. In February, 1975, she became the first leader of a main party to contest a constituency where the Jewish vote, then roughly 6,700, or 16 per cent of the electorate, was crucial. Dr Alderman says. Her majority in May, 1979, election was 7,878.

At the end of 1974 Mr Michael Fidler, president of the Board of Deputies from 1967 to 1973 and Conservative MP for Bury and Radcliffe from 1970-1974, formed and became director of the Conservative Friends of Israel, to enlist support of Conservative MPs and peers in the cause of the Jewish state, and to demonstrate the support of support for Israel within the party. Mrs Thatcher was an early adherent of that group, Dr Alderman says.

A speech by Sir Keith Joseph at the Ilford by-election in 1978 was the first time in more than 50 years that a leading Conservative politician, more or less officially, had appealed to Jewish voters to support the party on an important policy issue and had witnessed a positive response, Dr Alderman says.

He notes that the Conservatives won back Ilford North on a swing of 6.9 per cent, but among Jewish voters there the swing to the Conservatives was 12.2 per cent.

Boys shown to be more numerate than girls

By Frances Gibb

Only slightly more than one in three fifteen year olds can divide 40 by 0.8 and fewer than half know how to define a square, according to the first national survey of the age group's mathematical abilities, published yesterday.

The survey shows that while most 15 year olds can cope with very simple sums of addition and subtraction, there is a drop in the success rate of up to 30 per cent when the sums are presented in a more complicated or unfamiliar way.

It also shows that boys do better at all kinds of sums than girls.

About 80 to 90 per cent of pupils can do sums such as 76 multiplied by seven and 396 divided by six, but only 35 per cent could give the correct answer to 40 divided by 0.8, the survey shows.

About one in two 15 year olds can add one half and one sixth, and the same number can multiply simple fractions. But subtraction or division of fractions is found more difficult, and only 40 per cent gave correct answers.

The survey was carried out in 1978 by the Assessment of Performance Unit (APU) at the Department of Education and Science. It follows a report published earlier this year on the mathematical abilities of 11 year olds, and is to be followed by further reports on both age groups.

Tests on the use of mathematics in an everyday context showed that 62 per cent of pupils could calculate the distance travelled when given two mileages and a time. Only 25 per cent were able to calculate an electricity bill from two meter readings given the standing charge and the price for each unit.

About half could work out the price of a new suit, given the original price and the fact that it had been reduced 30 per cent.

In geometry, half the pupils could calculate the area of a rectangle, and a further 20 per cent were only one degree out. But with obtuse angles, the success rate fell to only 35 and 25 per cent respectively.

Overall, the survey says that children in rural areas did better than those in city areas and pupils in south England did better than those in the north and the Midlands. Pupils in Wales had the lowest mean scores.

The unit says that the results must be treated with caution. It would be misleading, it comments, to draw inferences from one set of results in isolation from the rest.

On average the scores ranged from 21 per cent to 64 per cent with an overall average of 40.4 per cent. But the unit says it would have been quite easy to have got the average score up to 50 per cent by including a different mix of easy or hard questions.

The survey was based on written and practical tests given to about 10,000 pupils in English schools; about 2,500 from Welsh schools and 2,000 from Northern Ireland. Altogether about 600 schools took part.

Mathematical Development: Secondary Survey Report No. 2 (Stationery Office, 55.50).

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Two panels from Stanley Spencer's First World War series being examined yesterday by Professor Henry Cadbury-Brown, RA (left), and Mr Norman Rosenthal as the paintings were being prepared for the Royal Academy exhibition that opens on Saturday.

Some sinks gather shrimps, while others remain dry
Wales wants better water on tap

From Tim Jones

With the approach of winter, now that the summer monsoon season is drawing to an end, the Government is being asked to consider establishing a water consumers' council for Wales. The request comes from the Welsh Consumer Council which says it is powerless to deal with complaints of bad service and high charges by the Welsh Water Authority that have come from people throughout the principality.

According to the council, shrimps and seaweed gush from some taps while others remain dry. Consumers are also mystified as to why water charges in their land of lakes should be higher than in England or Scotland.

With Snowdon's summit enjoying more than 12 times as much rainfall as London, water is a constant problem in Wales and some nationalists believe it should be old to England as a valuable and indispensable asset.

Mr Phil Woods, research officer for the consumer

council, said: "So far we have received more than a hundred letters of complaint. The letters certainly indicate the futility of problems people experience, from the old age pensioner living in Deganwy whose water bill is almost £100, although she lives alone in a one-bedroom flat, to the lady from Shotton whose water is so dirty that every day she has to tie a piece of clean white linen on her tap to catch the brown stain."

Mr Woods said many old age pensioners felt resentful that they paid more for their water than large families living near by.

The letters show that in some areas there is often so little water pressure that householders cannot use the bath or the lavatory. Mr Woods said: "There has been much criticism of the way in which water bills are assessed on a rateable value, and people feel particularly aggrieved when they are paying high charges for what they view as a poor service."

He added: "One of the problems is that we cannot take up individual complaints and many people are asking for help in

desperation. These are the kind of problems which could be dealt with by a water consumers' council for Wales and these letters indicate the need for such an organization."

The Welsh Water Authority said yesterday: "Without being in any way complacent, we are pleased that only a hundred out of three million consumers are sufficiently dissatisfied to complain. Very often the problem is caused by a blockage or corruption in the household's own pipes and we will rectify that on a normal commercial basis."

We agree that out-of-date assessing charges is not always fair, but the alternative is to provide each household with a water meter at a cost of £300. The meter which would cost more than £20 a year to maintain would have to replace some four years' work. That would make water charges unacceptably high."

The water authority, an official said, saw no need for a consumers' council because 20 of its 35 members were democratically elected councillors, and in any event the body was subject to stringent control by Parliament.

Date set for nuclear waste appeal

By Our Planning Reporter

A public inquiry will begin on October 28 into appeals by the United Kingdom Atomic Energy Authority against the refusal of Northumberland County Council to permit exploratory drilling in two areas of the Cheviot Hills.

In July last year the energy authority named 15 areas of Britain where it wished to determine whether the geological structure was suitable for the disposal of nuclear waste.

Local council reaction has been generally suspicious. So far permission for drilling has been granted only in Caithness, Scotland.

Corporation may seek tax on video tape recorders

By Our Arts Reporter

The BBC wants the Government to tax sound and video tape recorders on the grounds that they can be plugged back into making the programmes people are taping at home without paying anything in copyright.

That move to explore ways of improving the BBC's finances was explained yesterday by Sir Ian Trethowan, the Director-General, when he answered questions from listeners in the Radio 4 Tuesday Club programme. "Whether the Government will consider it, remains to be seen."

A listener had suggested that tape recorders should carry a 10p tax and transistor radios a 15p tax. Sir Ian said he had some suspicion that the Gov-

ernment was traditionally reluctant to impose new taxes. "But if you are going to restore some form of people paying for radio, the only way is at the point of sale of the set."

The question of taping was very important because people were increasingly viewing BBC programmes and not paying anything in copyright; therefore the one way to raise some revenue to plug back into the programmes being taped was by exacting duty when the machine was bought.

He said he was against even a limited form of advertising being accepted by the BBC and said it should be possible for the licence fee to be paid in monthly instalments over the period of the licence if people wished.

Coroner calls for stricter hang-gliding supervision

From Our Correspondent

Kettering

A coroner yesterday called for stricter safety measures and better supervision after a hang-gliding accident in which a 100ft high and would not give sufficient time to adjust," he added.

Mr Hunter who had been appointed by the Board of Trade to investigate the accident, said he was not aware of any other hang-gliding accidents in the area.

He was killed in June while on a month's leave at his home in Storefield Cottages, Kettering, Northamptonshire. The inquest at Kettering was told that Private Warner had bought a second-hand glider for £100 only a few days before his death.

Mr John Hunter, the vice-chairman of the British Hang-gliding Association, said: "It is extremely difficult for beginners who have a dangerous habit of looking down to see if their feet are in the harness straps. This often causes the hang-glider to go out of control."

He told the inquest: beginners should take off from hills at least 400ft high to give them time to correct any faults.

This hill near Market Harborough, where the accident happened is only 100ft high and would not give sufficient time to adjust," he added.

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Cruise deposits to Canary Islands lost

From Our Correspondent

Hundreds of holidaymakers were told yesterday that they had lost their deposits for a holiday in the Canary Islands.

Details of Cruise Devises Tour Ltd., of Upper Newnham, south-east London, were put at £228,000 by Mr Geoffrey Gilvray, the official receiver, at a creditors' meeting in London. He disclosed that assets totalled only £6,000.

A woman said bitterly: "We will not get much out of that."

Mr Gilvray reported that the company was formed in 1972. Directors had been Mrs Joyce Ellen Edmunds, John de L'Orme and Mr Arthur Walters Edmunds. Mrs Edmunds resigned from the board in February and Mr Edmunds in March.

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In brief

Water chief pays £1,119 lunch bill

Mr Arthur Smyth, chairman of the Southern Water Authority, has paid from his own resources the £1,119 cost of a lunch for 60 people during an inspection tour by the National Water Council in Mr. The authority has been widely criticized this year for its spending. The matter was raised in Parliament.

Cricket pavilion made a listed building

The Victorian Pavilion at Somerset County Cricket Ground, at Taunton, which is used by the players for the first time this week before the start of a new one funding £300,000 has been made a listed building. The old pavilion was built in 1891 for Somerset, to house the County Championship. Few alterations have been made since. It will continue to be used as a ground.

Air victims named

Three Royal Marine officers killed when their Gazelle helicopter crashed into a hill at Cape Wrath, Sutherland, Monday were identified yesterday as Lieutenant David D. aged 27, the pilot of Yeiver Devon, Lieutenant Andy J. Dore, aged 25, and Lieutenant Farley, aged 25, of Deal, of the 3 Commando Brigade Air Squadron, based at Plymouth, near Plymouth. All were married.

Editor resigns

Mr David Hopkinson, editor of Birmingham Evening Mail, has resigned his post. Mr Hopkinson has been the company for 16 years.

Fisherman saved

Six fishermen were rescued yesterday when their fishing boat, the Daylight, of Peterhead, after colliding with a North Sea nearly 200 miles off Aberdeen. One man slightly hurt.

Rare art works stole

A fifteenth-century work of the Madonna Child and a fourteenth-century Russian icon oil painting have been stolen from St. Nicholas Church, Brighton. Police said it was impossible to trace their value because their rarity.

Protest at detention

Members of the National Union of Journalists, the International and the South Africa House in London yesterday in protest over detention of Miss. Zul. The Cape Times.

Bus overturns

Mr Dennis Plant, of Avenue, Bradford, a driver and four women passengers were detained in hospital after his single-deck bus lamp post and overturned the city yesterday. The other passengers were home after treatment.

£10,000 drugs raid

Drugs valued at £10,000 including morphine and heroin were stolen from the A. S. Blackhead, West Midlands yesterday.

Risks seen in outdated brain operations

By Lucy Hodges

Crude and old-fashioned brain surgery is still being carried out in this country perhaps causing irreversible damage to the mind, according to MIND, the mental health pressure group.

There are enormous differences in the surgical techniques used in the parts of the brain which are cut open, MIND says. The group's journal says: "Some doctors still use free-hand operating methods, or suction, to remove sections of the brain rather than the more complicated X-ray technique where radioactive rays are used to destroy particular bits of the brain. Mr Larry Gostin, MIND's legal director, and Miss Lindsay Knight, the authors, say.

A survey of operations, carried out by the Royal College of Psychiatrists between 1974 and 1976, showed that almost one-third of the operations were given this surgery for mental disorders ranging from depression, where there is some evidence to show it can be effective, to aggression, mania, schizophrenia, and self-destructive behaviour, where there is far less evidence.

Thus, the surgical techniques do not yet conform to any widely honoured medical orthodoxy," the article says. It is disquieting that the same site in the brain is the target for treating quite different disorders.

One of the authors, Dr Gostin, says: "The technique stems from the theory that the frontal lobes of the brain govern and control emotion: by removing parts of the brain the patient's chronic anxiety or depression is lessened."

About 15,000 such operations were carried out in Britain up to 1960, but the side-effects were often serious and "many of these patients now lead a substandard existence in hospitals," MIND says.

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Welsh doctor's holiday home is damaged by fire

From Our Correspondent

Llandudno

A holiday cottage belonging to a disabled Welsh doctor was badly damaged by fire yesterday. A window was found open at the cottage at Tanygarn, near Blaenau Ffestiniog, Gwynedd. The windows of another holiday cottage, not far away, were smashed.

Police said last night: "It is being treated as a suspicious fire because the same site in the brain is the target for treating quite different disorders."

The detached cottage is in the village street and is owned by Dr Eifion Price Owens, aged 37, of Withington, Manchester. He is confined to a

wheelchair because of a climbing accident in Snowdonia several years ago.

A man on his way to work at 6.30 am saw the flames and gave the alarm. The fire brigade said that most of the damage was to the downstairs bedroom, specially adapted for Dr Owens's use.

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Ex-Ladbroke's man cleared of corruption

From Our Correspondent

Nottingham

Three men were sent for trial by Nottingham magistrates yesterday on corruption charges concerning the Ladbroke building empire and the national police computer.

The case against a fourth man, Malcolm Rowley, aged 31, former Ladbroke marketing assistant of Victoria Crescent, Hutton, Essex, was dismissed after the court ruled there was no case to answer.

The others were sent for trial to Nottingham Crown Court under the Prevention of Corruption Act, 1906.

Rodney Widdowson, aged 33, a former Nottingham police inspector, and a former Ladbroke security officer, of Westholme Gardens, Aspley, Nottingham, and Gordon Irvine, aged 34, a former Ladbroke casino director of High Street, Great Broughton, North Nottingham, are jointly charged with corruptly offering money for information about car numbers from the computer.

Brian Crowson, aged 38, a police sergeant, of Nottingham Road, Keyworth, is accused of corruptly agreeing to supply the information for reward.

He told the inquest: beginners should take off from hills at least 400ft high to give them time to correct any faults.

This hill near Market Harborough, where the accident happened is only 100ft high and would not give sufficient time to adjust," he added.

Mr Hunter who had been appointed by the Board of Trade to investigate the accident, said he was not aware of any other hang-gliding accidents in the area.

He was killed in June while on a month's leave at his home in Storefield Cottages, Kettering, Northamptonshire. The inquest at Kettering was told that Private Warner had bought a second-hand glider for £100 only a few days before his death.

Prosecution agrees to drop case against MP accused of breaching peace

From Our Correspondent

Liverpool

Liverpool magistrates yesterday found no reason to bind over Mr James Dunn, Labour MP for Liverpool, Kirkdale, to keep the peace. Mr Dunn, who was accused of breaching the peace, was removed from the police station.

The MP was taken to hospital and given the opportunity for treatment before being taken to the police station.

Since the matter has been before the court, Mr Dunn's solicitor has made representations to the prosecution which have been accepted at a high level.

Mr Dunn, aged 34, had been summoned for an alleged breach of the peace at his home in Litherland, near Liverpool, last June 5.

The prosecution accepted an apology from Mr Dunn, who denied committing an offence, and agreed not to seek to have him bound over.

Mr John Goodwin, for the prosecution, said that he did not believe there has been an offence under the criminal law.

He said a police officer had gone to Mr Dunn's house on

June 9. "As a result of what the officer found, the best thing for all concerned was that Mr Dunn be removed from the scene."

US serviceman on LSD charge

From Our Correspondent

Ilford

A holiday cottage belonging to a disabled Welsh doctor was badly damaged by fire yesterday. A window was found open at the cottage at Tanygarn, near Blaenau Ffestiniog, Gwynedd. The windows of another holiday cottage, not far away, were smashed.

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Labour attack on Plaid leader's fast three

From a Staff Reporter

Cardiff

The Labour Party in Wales yesterday accused Mr Gwynfor Evans of attempting to blackmail the democratic process by threatening to starve to death unless the Government established a Welsh language service on the fourth television channel.

Mr Robert Morgan, the party's general secretary, said: "Plaid Cymru's president is being deceitful by campaigning for his party under the pre-

text of saving the Welsh language. I have heard him compared to Gandhi, but there is no comparison as the Indian leader had access to the ballot box whereas the election have rejected Mr Evans."

But the Government had a clear responsibility to the people of Wales to honour its election pledge and provide the service.

In its evidence to the Parliamentary Select Committee on Broadcasting in the Welsh language, the Labour Party has

reiterated its view, formed seven years ago, that programmes should be between BBC Wales and Welsh television, and be on one channel.

Ultimately, the view argues, a fifth channel become necessary if a majority of non-Welsh speakers are to feel the full benefit of programmes enjoyed by the Welsh.

Mr Evans reiterated in

In brief

Water chief
£1.119 lunch

Cricket pavilion
a listed building

Air victims
in Lebanon

Editorial
on the situation

German
minister's statement

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EST. EUROPE

EC refrains from condemning army takeover in Turkey

Michael Hornsby
Sept 16

European Community ministers today noted with concern the developments in Turkey and called for a return to democratic rule. But they refrained from condemning the Turkish army coup by the Turkish military.

The Foreign Ministers of the EC, in a statement issued in Brussels, said they were "deeply concerned" by the developments in Turkey and called for a return to democratic rule. They expressed "the hope" that the military would soon be put into a full civilian framework.

The statement said the EC would continue its cooperation with Turkey. In other words, there is to be no freeze on commercial and political relations. The statement also said the EC would continue to support the Turkish government.

The statement was issued in Brussels, where the EC ministers were meeting. The statement was issued in Brussels, where the EC ministers were meeting. The statement was issued in Brussels, where the EC ministers were meeting.

up casts gloom over prus peace talks

Sept 16

Long-dormant Cyprus peace talks resumed here yesterday, but a break in the talks is expected to be created by the military takeover in Turkey.

Hugo Gobi, the Argentine minister acting as the representative of the Turkish side, said he was "deeply concerned" by the developments in Turkey and called for a return to democratic rule. He said he was "deeply concerned" by the developments in Turkey and called for a return to democratic rule.

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Government avoids high economic measures

Sept 16

Government, led by Mrs. Margaret Thatcher, has no intention of taking any high economic measures, according to a statement issued by the Treasury today.

The statement said the government was "deeply concerned" by the developments in Turkey and called for a return to democratic rule. It said the government was "deeply concerned" by the developments in Turkey and called for a return to democratic rule.

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poorer nations

Sept 16

The first time the beginning of the school year in France has been spread over two dates for different regions, according to a statement issued by the Ministry of Education today.

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Professor Anthony Blunt arrives in Rome. He went to an unknown destination.

Danes claim money from Britain

From Christopher Follett
Copenhagen, Sept 16

The Danish Fisheries Association yesterday presented the British Embassy in Copenhagen with a claim for a maximum 187m kroner (£14m) in compensation for catches lost during Denmark's dispute with Britain over fishing rights in the North Sea.

The claim follows the unilateral British extension of the so-called 'Norwegian' fishing zone in the North Sea, which is situated off the east coast of Scotland, and the banning of fishing in the area on conservation grounds in 1978.

The area was one of the most fertile fishing grounds for Denmark's industrial fishing fleet and the Danish Fisheries Association says losses due to the ban on fishing in the area for the past two seasons' ban as high as 400m kroner.

The Danish claim is for less than half this amount because its fishing fleet was able to make-up for its losses.

The British restrictions were ruled illegal by the European Court of Justice in Luxembourg earlier this summer.

At ministerial talks held here last week Britain and Denmark reported having made progress on a solution to the dispute. The solution is thought to comprise a formula allowing Denmark to fish out in very deep waters only.

Alsace court rules in favour of dismissed parish priest

From Our Own Correspondent
Paris, Sept 16

A traditionalist priest has won the first round of a legal battle against his bishop and the French Ministry of the Interior in his efforts to keep his tiny parish in Alsace.

In 1978 Father Jean Siegel was dismissed from his parish of Thalwangen by Leon Elchinger mgr, the Bishop of Strasbourg, after he had occupied a church in Strasbourg and celebrated a traditionalist mass.

A Strasbourg tribunal said the Ministry of the Interior acted wrongly in dismissing the parish council which elected and paid Father Siegel. The Court ruled only on laws affecting state employees, ignoring canon law.

ince staggers the start of the school year

Sept 16

over 20 days, between September 9 and 29. It began with the academic region of Amiens, Bordeaux and Poitiers. Today it was the turn of the Paris region and it will end with the French territories in the Caribbean and the Montserrat region.

One has to have lived some time in France, and to have experienced the monopolistic conservatism and centralization of the French education system to appreciate the revolutionary character of this reform.

Another of this year's innovations is a return to the teaching of history and to old-fashioned arithmetic. This should avoid students mistaking Austerlitz for a railway station.

The old system—so centralized that a minister could pull his watch out of his pocket and say that at that time students in every sixth form in France were studying such and such a chapter of such and such a standard text—is now gone forever.

M. Christian Beullac, the Minister of Education, emphasized in an interview today that he was in favour of a real decentralization. "This ministry is unmanageable from the centre," he said. "It amounts to a concern of one million persons, more than General Motors."

The beginning of school term is being marked by the annual agitation by the teachers' unions, which has become an annual event. Strikes have been called for next Thursday in some of the academic regions.

In Paris, a stoppage will be staged on September 25.

But there are deep divisions on the desirability of strike action between those unions close to the Socialist Party and those with predominantly Communist sympathies. As a result, some 10 branches of the national teachers' union have called their strike order.

Teachers' strikes, student unrest and the decline in standards, have accentuated the migration from the state schools—once regarded as at least as good academically as the private schools, which take in about two million children.

In 1976-77, 108,000 students deserted state schools for private ones. In 1979-80 there were 133,000.

OVERSEAS

Israel says group of detained Arabs committed eight murders in occupied West Bank

From Moshe Brilliant
Tel Aviv, Sept 16

The Israeli Military Command today announced that security forces have arrested a group of eight allegedly responsible for eight terrorist outrages, including the murder last May of six Jews on their way home from Sabbath eve services in the tomb of the Hebrew patriarchs in Hebron.

An official announcement said the group captured this weekend included four men who allegedly confessed to attacking the worshippers from a rooftop with Kalashnikov assault rifles, a Karl Gustav sub-machine gun, hand grenades and improved demolition charges. Six alleged accomplices said to have sheltered and fed the men since the attack were also under arrest.

Tonight, military headquarters announced that the West Bank homes of the four men were demolished in a punitive action. Three more houses belonging to Arabs arrested last week for allegedly plotting to seize Israeli hostages in a terrorist attack during Rosh Hashana, the Jewish New Year, were also bulldozed.

The Hebron ambush on May 2 was the bloodiest terrorist attack in the occupied territories since the West Bank fell to Israel in the 1967 war. It led to repressive measures, including a long curfew and the sudden banishment of the Mayor and Islamic judge of Hebron and the Mayor of the neighbouring village of Halhoul for alleged involvement.

The break in the intensive four-month manhunt took place over the weekend, when an Army patrol in the Jordan valley caught two alleged members of the cell. They apparently planned to ford the river to the East Bank. They surrendered without resistance.

Details of their interrogation were not revealed but it was followed rapidly by the detention of other alleged members of the cell and their accomplices, as well as to the discovery of their arsenal.

Searches also yielded a short gun alleged to have been used to kill an Israeli couple—Uriel and Hadassah Barak—who were shot in their car in March last year while on an outing near Beit Govrin, in Israel proper.

A camera stolen from the couple was also recovered. One of the alleged Hebron killers, named as Muhammad Shabiki, aged 28, was said to have confessed to the murder of the couple, according to an official Army statement.

The Israeli defence forces radio station said today that some of the explosives in the arms cache of the type used in the Hebron attack blew off the legs of the Mayors of Nablus and Ramallah and partially blinded an Israeli sniper. However, the arrested men displayed no knowledge of the booby trapping of the mayors' cars.

'Billygate' committee may call President

From David Cross
Washington, Sept 16

The first round of public hearings into the controversial relationship between Mr Billy Carter, the President's brother, and the Libyan Government is expected to end this week with testimony from Mr Zbigniew Brzezinski, the White House National Security Adviser.

During a meeting of the special Senate judiciary committee which is investigating the so-called "Billygate" affair, Mr Brzezinski will be asked tomorrow why he asked Mr Billy Carter to organize a meeting with Libya's representative in Washington last November.

He is also likely to be questioned about his decision to warn the President's brother in March that a scheme to obtain special oil supplies from Libya for an American company could be politically embarrassing to President Carter.

If the committee decides that Mr Brzezinski's testimony conflicts with earlier statements from the White House about his peripheral involvement in the President's brother's lobbying activities, Senator Birch Bayh of Indiana, its chairman, has said that it might take testimony from the President himself.

Nevertheless, even if the committee does decide that the views of the President are required, the cross-examination will probably take place in private rather than before the television cameras on Capitol Hill.

Stating that he did not want the investigation to turn into a "manic circus," Mr Bayh told reporters yesterday that the public appearance of the President before the committee would create "understandable interest and notoriety." We're after facts not notoriety," he added.

The committee has already decided to seek further clarification from Mr Billy Carter about apparent contradictions between his testimony before the committee last month and subsequent comments from senior Justice Department officials. The new evidence will be taken in writing.

Senator Bayh also said that he hoped the hearings would clarify the President's role in the committee's last month and subsequent comments from senior Justice Department officials. The new evidence will be taken in writing.

Remains found of largest flying bird

Washington, Sept 16—Scientists have discovered fossils of what is believed to have been the largest bird ever to fly—an animal the size of a man with a wingspan of 23ft.

The discovery, announced by the National Geographic Society, was made in Argentina and confirmed by scientists at the Natural History Museum of Los Angeles County.

The remains are of a bird that measured 11ft from beak to tail, weighed between 160 and 170lb and when standing could have looked a six-foot-tall man directly in the eye.

"This makes it the world's largest known flying bird," said of vertebrate paleontology at the University of California, Los Angeles, Dr Kenneth Campbell, curator of the museum. "It's definitely a most spectacular creature."

Dr Campbell said the biggest flying bird alive today was the Argentavis, a soaring creature with a 10ft wingspan that can weigh about 35lb.

In the latest discovery, about a dozen bones from one giant bird were recovered from a site about 100 miles west of Buenos Aires by Dr Eduardo Tonini and Dr Rosendo Pascual of La Plata Museum.

Although no one knows exactly what teratons looked like, of all living birds their bones most resemble those of condors, he said—AP.

Convictions in ex-envoy death case quashed

Washington, Sept 16—A United States appeals court has quashed convictions against three Cuban exiles in connection with the killing of Senator Orlando Letelier, a former Chilean diplomat.

The court ruled that Judge Barrington Parker had made procedural errors in convicting the three Cuban exiles, including one concerning the admissibility of evidence, during the trial in 1979. Government prosecutors have not decided whether to appeal the ruling.

Senators Guillermo Novo Sampol, his brother, Ignacio, and Senator Alberto Ros Diaz will have to stand trial again.

Senator Letelier and an American associate, Ronni Moffitt, were killed near the Chilean embassy in 1976 by a car bomb.

During the trial prosecutors said the Chile secret police had ordered the killing because of Senator Letelier's anti-junta activities—Reuter.

Baron Rudiger von Wechmar: First German to be UN Assembly President

From Michael Leapman
New York, Sept 16

The Assembly of the United Nations opened this afternoon with a familiar agenda of intractable disputes and regional rivalries.

The full weight of multilingual oratory will be applied to their solution, but delegates will realistically be content if, by the time the session closes at Christmas, none of the simmering crises has developed into open conflict.

The president of the session will be Baron Rudiger von Wechmar of West Germany, the first German to hold the post since the United Nations was created after the Second World War. Earlier this month a year-long campaign for the post was waged successfully when Spain withdrew the candidacy of its representative here, Señor Don Jaime de Pinies. (It is the turn of Western Europe to provide the president.)

The first test of the Baron's mettle could come with challenges to the credentials of two members. Some Arab delegates have suggested they will question Israel's right to its United Nations seat, although it seems probable that they may be content with a formal protest rather than taking the challenge to a vote, which Israel might expect to win.

It is uncertain whether the Vietnamese will try to withdraw the credentials of the Pol Pot regime in Cambodia. They would like to see in its place a delegate from the Government which they put into power, but they cannot be certain of winning a majority for that.

As for substantive issues, the Middle East and southern Africa have dominated every recent Assembly session and will do so again.

Israel, if it manages to keep its seat, will have to endure numerous condemnations of its actions in the occupied territories and to endure them virtually friendless, except for the United States, whose firm support can be guaranteed at least until the presidential election in November.

The long negotiation with South Africa over Namibia

US seeks missile curb meeting next month

From Our Own Correspondent
Brussels, Sept 16

Talks between the United States and the Soviet Union on limiting the deployment of theatre nuclear weapons in Europe are expected to open on October 15 in Geneva.

At a two-day meeting of defence policy officials, which ended here today at New headquarters, the United States and its European allies agreed that Mr Edmund Muskie, the American Secretary of State, should propose this date in Mr Andrei Gromyko, the Soviet Foreign Minister, when they meet in New York on September 25.

A statement issued after the meeting said there was full support for the American aim of "beginning talks with the USSR in the immediate future, without precondition" and "for the approach the United States envisages taking in these exchanges, which is in accord with the principles stated in the December 12 'allied communiqué' (of last year).

Last December Nato foreign ministers agreed to deploy 572 new Pershing 2 and cruise missiles in Europe to counter what is perceived as a growing threat from mobile Russian SS20 missiles, which are already installed.

At the same time Nato proposed talks with the Soviet Union to limit the numbers of such weapons, but this offer was rejected by Moscow, which demanded that the West first reverse its decision to deploy the new missiles.

The attitude changed when Herr Helmut Schmidt, the West German Chancellor, visited Moscow last June. The Russians then said they would hold talks with the West, but that American "forward-based systems" in Europe would have to be covered as well.

These are generally held to include bombers based in Britain, and two squadrons of aircraft with nuclear-strike capacity with the United States Sixth Fleet in the Mediterranean. It is still not clear whether Nato is prepared to include these weapons in the arms limitations talks.

Slowing of detente cheers China

From Frank Vogt
United States Economics Correspondent
Washington, Sept 16

A senior Chinese official left no doubt today that his government was happy to see the deterioration in the United States' relations with Russia this year had contributed to a strengthening of United States-Chinese ties.

Mr Bo Yibo, a deputy Prime Minister, said at the start of the first meeting of the United States-China Economic Commission here that "especially after the Soviet invasion of Afghanistan the present United States Administration has been pursuing a more enthusiastic policy in its relations with us."

Mr Bo announced that agreements between the two countries dealing with shipping, textiles, civil aviation and consular offices were ready for signing. President Carter and Mr Bo will sign these pacts tomorrow at the White House.

Mr Bo and Mr William Miller, the Secretary of the Treasury, the Secretary of both words closer political, cultural and economic relations was now moving ahead at an exceptionally rapid pace since the visit here by Mr Deng Xiaoping, the Chinese Premier, in January of last year.

Mr Miller illustrated that progress by noting that trade between the countries this year will total almost \$4,000m (\$660m), which is nearly four times the 1973 volume.

Growing trade, page 17

Familiar agenda of intractable disputes and rivalries as UN session opens

(South-west Africa) continues, but there is no sign of an imminent breakthrough in a summit which would allow elections supervised by the United Nations. One difference in the agenda this year is that Zimbabwe, whose delegate will take his seat in the Assembly for the first time, will no longer be an issue of contention.

The Western nations are hoping that the Assembly will renew its call to the Soviet Union to withdraw from Afghanistan. The Americans would like the initiative on this to come from the Muslim nations, rather than having to introduce a motion themselves.

Relations between the developed and the developing nations during this Assembly will not have been improved by the failure to agree on the guidelines for the proposed global economic negotiation which is expected to begin in January. Britain, the United States and West Germany held out against an attempt to give a new representative body authority over the World Bank and International Monetary Fund.

The three Western countries have not, however, given up hope that the disagreement might be solved while the Assembly is in session. They would like the meeting to go ahead in January as planned, but are opposed to writing what is cynically called "creative ambiguity" into the guidelines for the sake of reaching a paper agreement.

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David Robinson, as "the international critic who during the film association."

NATIONAL TRIC WHO DURING THE LHM ASSOCIATION. - - - - -

Mr Ola Ullsten, Sweden's Foreign Minister, talks about his country's problems and prospects

Swedish sweet reasonableness may yet prevail

Has the Swedish model of a modern European state been broken beyond repair? In May this year the country was paralysed by the worst industrial troubles since the general strike of 1909, and there have been serious economic difficulties throughout the four years of non-socialist government that have followed the end of 44 years of Social Democratic dominance in 1976.

During this four-year period there have been two coalition administrations and one minority Liberal government; and Mr Ola Ullsten, the present Foreign Minister and Deputy Prime Minister, has held high office in all three. He is now leader of the Liberal Party and was Prime Minister of the Liberal administration that governed for a year before the general election last September.

No Swedish politician is therefore in a better position to assess the performance of these four years. Does it suggest, I asked him when we spoke after his address to the British Liberal Party conference on Saturday, that non-socialists cannot run the country on the traditional basis of harmony and sweet reason? Can the trade unions be handled only by a Social Democratic government?

Not at all, he responded. "It was true, I don't think we should have had the very modest result we did in 1977—a reference to the national wage settlement of under 2 per cent negotiated in that year. There was a perfectly understandable reason for that, but Mr Ullsten did

not pretend that it was an answer to all anxieties. On the contrary, he acknowledged that the government had made two mistakes in the spring. The first was in offering a package deal—including a price and rent freeze, tax reductions and food subsidies—if the unions would accept a very small wage increase. This failed to influence the bargaining but left the government in a difficult position when the settlement was at a higher figure than they had had in mind. The second mistake was in then going ahead nonetheless with much of the package deal, which was more than the economy could afford in those circumstances. So the government has had to claw much of it back again.

The settlement lasts only until the end of the year and negotiations for next year will soon begin. Mr Ullsten offered no easy optimism on the outcome. That would depend on the maturity of the unions and the government. There will be a meeting on Friday with the unions at which the government will attempt to present the economic picture as it is. This will not exactly be a negotiation with the unions; but ministers should, Mr Ullsten believes, try to make a modest agreement possible by indicating not only the bleakness of the economic scene but also the tax reforms and public expenditure plans they have in mind. Both sides should mean business in the sense of being prepared to adjust their position in response to the other.



Mr Ola Ullsten: pragmatic.

This sounds very much like the German system of Concerted Action, and is akin to what a number of Conservative politicians would like to see developed in Britain. It is also very much in accordance with the traditional Swedish faith in dialogue. Put the people representing the different interests together around a table, explain the facts to them and trust them to behave reasonably. The only trouble is that the Swedes did not behave reasonably in May. Nobody in Britain can afford to feel sure about that, but it does suggest that the Swedes have descended

to the same level as the rest of us. Can there be confidence that they will behave reasonably now, that the government's new approach will work? Mr Ullsten candidly acknowledged that he had no idea. But any Swedish government would have had difficulty over the past few years. The problems faced by non-socialist administrations have not been easy. The Conservative government in the sense that the Social Democrats left office just before the storm signals appeared. Mr Ullsten goes further and blames recent crises on the profligacy of their economic policies before 1976—though one must add that one could not in those years detect the unsocialist parties' more restrictive approach.

Has it really then made any difference having non-socialists in office? Or has it been simply a change of faces but not of policies? Mr Ullsten confessed that the suggestion was not entirely unfair, but he went on to speak of differences in attitudes. The present government has increased taxes; the Social Democrats would have done so even more, and more readily.

But I had the impression that this kind of comment, the expected of a politician about his opponents, had almost to be extracted from him. What seemed to flow more spontaneously was indicative of the man and of Swedish politics.

"We are not representing two nations in Sweden. There is a very

solid measure of unity, of sharing of values, even though we must not brush all ideological disputes under the carpet."

These remarks illustrated both the Swedish instinct to find agreement wherever possible and the uneasy nature of the present coalition of Liberals, Centre Party and Conservatives. His comments were as he freely accepted an implied criticism of his Conservative partners. But then, "I don't think a coalition of this kind ever can be cohesive." There was "no other choice, just now," and "we shall have to muddle through—at least, until the next election."

This is not due until 1982, but what then? That would depend upon the policies of the individual parties. He offered no guarantee that the coalition would be continued. Might the Liberals form a coalition with the Social Democrats then after the next election? He could foresee no conditions for that at this time, but he did not specifically rule it out either.

These were the cool, deliberate words of a pragmatic politician, concerned to manage the country's affairs in the most practical fashion. They were not the tones of an evangelist of an anti-socialist counter-reformation. As I listened to him, I could not help reflecting that that seemed a long way off in Sweden.

Geoffrey Smith

Bumpy flight patterns round the world

British Airways' decision to withdraw 50 services a week this winter and to take other drastic economy measures in an effort to remain in the financial black is symptomatic of a disturbing trend which is affecting almost all of the big international airlines this year.

World recession, and particularly the rapidly rising cost of aviation fuel, is hitting all the airlines so hard that it will be the exception which reports a profit at the end of the current business year in either December or at the end of March 1981.

Even during the peak summer period just ending, when airlines expect to make large profits, to subsidize the thin winter months, most reported losses.

In July, the most recent peak month for which the airlines have entered returns, the traffic carried by the eight biggest trunk operators in the United States was 9.3 per cent down on the figure for July last year. This was the average, and individual airlines did far worse. Trans World was down by 14.1 per cent, British by 13.3 per cent, and United by 12.1 per cent.

And, from Brussels, the Association of European Airlines reports that the first six months of this year is likely to have been the worst for traffic growth since the middle 1960s. The association originally estimated that there would be no growth this year compared with 1979, but it is now revising this forecast that traffic will in fact go down.

If this does happen it will be the first fall in airline traffic in Europe in the past 15 years. The number of seats sold on flights within Europe are down by six per cent, as of 1979, and by five per cent on later continental operations.

The reasons for the slump in the airline industry's fortunes are the same in both Europe and the United States.

The world business recession has meant that many companies have stopped flying executives around the world or are sending them at a lower class of fare than before, so producing lower revenue for the airlines.

This trend has been intensified by the large-scale increases in fuel costs in an effort to meet higher fuel prices. Leisure travel has held up reasonably well, but there is increasing competition for a

dwindling amount of discretionary income, particularly among the two million people who are out of work in Britain.

The coming winter could be particularly bad time for airlines, and the loss of the London to New York route by British Airways is a real prize. This undertaking takes 11 hours by 747, and the airline behind the offer is that it will be about 40 airlines now flying between Europe and New America. The airline has empty seats each week, it better to have a few of them filled in return for a little revenue.

At around \$1 a gallon compared with 15 cents in the oil crisis of 1973-74, it is becoming the biggest cost for most airlines, overtaking wages and salaries. Any fuel price increases in the few months will throw the industry into even deeper danger and could bring about a threat of bankruptcy for some.

More immediately, the airlines are fighting to stay something approaching a break-even point by slashing their services. Some will be reduced in frequency; some will be combined so that one liner serves two or three on the same flight; some will be suspended altogether.

British Airways/Singapore International Airlines joint service between London and Singapore via Bangkok is under threat. The airline has withdrawn its last flight in November 1.

The travelling public will be inconvenienced by this. This winter BA will stop services from Gatwick to Belfast, Frankfurt and Zurich, and from Birmingham to Copenhagen and Heathrow to Tokyo via Moscow.

Ironically, timescales on air routes are being shifted down because of economic downturn at a time when the airlines are being asked to particularly increase the use of their aircraft.

As a result of this, the industry is being asked to increase the use of their aircraft, which allows operators to virtually "where and when" they like to fly.

Those airlines which run a scheduled service will be good housekeepers. British Airways has made a promising start by cutting deeply into its routes, but airlines are continuing to be that the ship will continue well 1981, and even more decisions may have to be made if the industry is to survive anything like the form in which it is known today.

Arthur R

Air Correspondent

Business is booming at Bookshop-on-Wye

Hay-on-Wye, known for some years as the home of the world's largest secondhand bookshop, has now also spawned a clutch of independent bookshops, each dealing in a different area of the acquisitive bibliography. As well as Mr Richard Booth's original massive empire, housed in a selection of properties around the town, about 10 other people have set up alongside some dealing in rare books, others specializing in areas such as religion, French literature, music, poetry, natural history and the stage. As a result, books are piling up on the shelves of the town in the same way as London's Hatfield Garden attracts those interested in jewellery and Portobello Road is known for its antique and bric-a-brac stalls.



Mr Richard Booth, whose vision transformed Hay-on-Wye.

It may strike some people as strange that a tiny Welsh town of about 1,000 inhabitants, which used to serve the agricultural community, has found such a different role serving those who love to browse, read and line their shelves. However, Mr Booth, who began the transformation nearly 20 years ago when he set up in business, says emphatically: "It's totally logical and a good idea to have a town full of books."

Having set up his vast organization, which now buys in more than a million volumes a year and sells slightly under that figure, he has actually encouraged competition from

former employees, outsiders and indigenous residents. Booth's of course, is still the biggest, but he has encouraged a huge new central outlet called The Limited in a building which used to sell agricultural machinery and other farming requirements.

In addition, he still has the former Plas cinema, a former workhouse, complete with worn brass strips to protect the brown linoleum on the stairs, where every volume costs just 30p, sheds up near his home a vast range of periodicals and a print shop, which counts in his business tally, if not so directly

concerned with books. To the first five, then, must be added two generalists and nine specialists, most of whom sell other books as well. One does bird-books, another deals in rare books, another in children's books, another in the book service business and is prepared to comb the often dusty shelves round the town for special requests.

Mr Booth believes about 110 jobs in Hay relate to books and hopes this will more than double in the next few years as still more bookish enterprises cash in on the town's growing reputation. Already there can be no doubt that other local readers benefit from the regular invasion of British, continental and even Japanese bookworms, many of whom combine walks on the local Black Mountains with equally exhausting mental exertion as they sift through thousands of titles a day.

"The chief industry is books. There's never been a place like it," says Mr Michael White, the first person to catch onto the idea that more booksellers and more books should be to everybody's advantage. He has been running a shop in London and visited Hay as a buyer.

A bookseller, says Mr White, tends to be acquainted rather than know every page of their books. "He starts a book and somebody comes in and buys it."

There's a giant who strides this shop. His name is Customer. Mr White says with a laugh, "You have got to be all right with a customer. You have got to be a particular book. They have travelled a long distance. We can only say 'We haven't got it.' They burst into tears. It's a curious thing. They think the further they're coming the more likely the book is to be there."

A man in shorts with two boys comes in searching for Alexander Dumas in English or French. He has got all the ones Mr White has in stock upstairs but fortunately does not burst into tears.

Mr Geoffrey Aspin, up the street specializes in French and earlier rarities and arrived last September. He came for a day trip after a gap of eight years, had lunch with Mr Booth, saw a shop for sale and within 24 hours had agreed to buy. A lecturer at Liverpool University, he was already in the book business, having first started as a collector. His French customers have followed him to Hay and he now attracts specialists in French books. The French are fanatics about condition, will wait a lifetime for

the perfect specimen and then be prepared to pay a small fortune.

Mr White admits they spend the winter buying books from each other (they have to make their money in the summer) and another bookseller talks of the virtues who come down to Hay, look for specific titles in their field and then bear a retreat. Sometimes outside bookshelves also carry off remainder stock, which is bound to accumulate, given, in particular, Mr Booth's propensity to acquire whole libraries. "It's easier to buy 20,000 books from America than three or four books in Britain," says Mr Booth. Only recently, three containers arrived from Minneapolis and other places in the United States with about 160,000 volumes.

In talking, 42-year-old Mr Booth admits to a few ideas to the next and back again with speed and bewildering mental dexterity. "I take the view very strongly that everybody wants books," he says and launches into a tirade against bureaucracy which includes the belief that the introduction of public libraries led to a lowering of the quality of books. "An odd phenomenon," he adds.

He is writing a series of rural revival pamphlets, one of which is about the abolition of the Welsh Tourist Board, another concentrating on the need to bring back the horse.

My argument is based on far more than flaccid romanticism," he writes. "Here (in Hay) the revival of the horse will be of paramount importance. It is not only in aiding the re-establishment of a craft-based economy, but providing enjoyment and mobility in spite of energy crises and the dearth of public transport in rural areas."

Mr Booth is also the man who staged a referendum on the independence of Hay and still sells Hay titles and passports.

He started up in 1961 buying a collection of secondhand books for £3, about the equivalent of £30 today. He had thought to buy in Wales and sell in Oxford but then he acquired the local castle and gradually accumulated a variety of warehouses and shops; and other buildings and lined them with shelves. He has a growing stock. It was, however, the purchase of the cinema in 1969 which brought people and trade on a good regular basis. Mr Booth points out that Hay is halfway between the Midlands and the South-west and only about 11 hours drive from Cardiff, Bristol and Birmingham.

He is convinced Hay will become the most successful town in mid-Wales. Given the way it has steadily been changing, he may well be right.

Judy Hillman

Bernard Levin

The man who made me drunk on Shakespeare



Sir Donald Wolfit: a gargantuan feast.

"The kind of thing one used to get from Wolfit on a bad night." Now on the kind of thing one used to get from Wolfit on a bad night, I consider myself something of an expert, for I cut my Shakespearean teeth on him and his company, and appalling though most of it was, I remain very deeply in his debt.

At the moment, of course, there is no need to take my word for it, in Mr Ronald Harwood's admirably dramatic and entertaining play, *The Dresser*, at the Queen's Theatre, there is a full-sized portrait of Wolfit. Naturally, it is not just a photograph; Mr Harwood has drawn on the real man to make a theatrical character with a life of his own who in many respects does not resemble Wolfit, but the inspiration for the character is clear. (The curtain speech, with what the late T. W. Worsley called "the same exhausted clutch of the curtain whether he has been laying himself out with Lear or trotting through twenty minutes of Touchstone", seemed to me to

that he could not bear to have near him anyone who might take from him one microwatt of his limelight, and therefore filled his company with some—no, practically all—of the most dreadful grotesques who ever stumbled on to a stage. (There were occasional exceptions, as for instance, when he looked at the audience and called Anthony Euclid, but Wolfit's almost insane jealousy ensured that their roles were so subordinated to his that they had little chance to achieve anything in their own right.)

He professed a great veneration for Shakespeare, but in practice treated him as just another walk-on, existing only for the greater glory of Wolfit. He butchered the texts to keep himself in the middle of the stage; his *Hamlet* ended on "Good night, sweet Prince. And flights of angels sing thee to thy rest." His *Othello* was "No way but this. Killing myself, to die upon a kiss," and his *Twelfth Night* with an elaborate dumb-show of Malvolio returning and being reconciled to those upon whom

he has sworn to be revenged. Whole scenes were excised if they did not include Sir, and characters' speeches gutted if they took the attention away from him for too long; his entrance was accompanied by the precipitate flight of the rest of the cast, upstage, and he should allow their attention to stray in the wrong direction; and was beside any player who lingered on his cue. Wolfit was, in short, the last of the Victorian actor-managers, and in some ways he went even further than they did. He would never, for instance, refer to *Hamlet*, *Othello* or *Shylock* by name; no, they were "the Daad", "the Moor" and "the Jew", and the orate language in which he would thank the audience at the end of the performance was the kind of thing that Shaw was already jeering at in the 1890s.

And yet there must be tens of thousands like me, whom he introduced to Shakespeare in performance and who, like me, bless him for it even as we smile. In those days there was

the old Vic, still in St Martin's Lane and comprising what may well have been the greatest theatrical company ever assembled; it included Olivier, Richardson, Guinness, Sybil Thorndike and Hugh Casson, Pamela Brown, Joyce Redman, George Relph, Peter Copley, Margaret Leighton and many more of their like as the stars of the Abbey (if *devant* New) would hold. There was also John Gielgud at the Haymarket, with Leslie Banks and Fay Compton, among others. But these, though they included Shakespeare in their repertoire, did so as only one play-wright among many, like the National Theatre today, and although some of the Shakespearean productions were there (chief among them Gielgud's last *Hamlet*) remain among the finest I have ever seen, they were not a substitute for a full Bardic diet, and a fortnight in Stratford-on-Avon every few months being beyond my means, the next best thing was Wolfit.

Wolfit took the old Bedford Music-Hall in Camden Town

(his appearance, though it was demolished many years ago, will be familiar to anyone familiar with the work of Sickert and played morning, noon and night. And morning, noon and night the infant Levin was in his seat, aged and ailing with the living works of Shakespeare.)

Some weeks I recall, I went seven times—all six evenings and the matinee. After his performance I would go home and read the play I had just seen (discussing Wolfit's editorial technique in doing so), then go back next day for more. I was drunk on Shakespeare; in a sense, I have never sobered up since and God forbid I ever should. Perhaps it didn't matter how I got the hard stuff, and how other Shakespearean company would have sufficed. I am certain, though, that I could not have enjoyed it from the printed page alone, or even from the book together with the star-filled productions elsewhere. It was the gargantuan feast on Shakespeare which

Wolfit provided that set me to begin to understand why this man was the greatest playwright who has ever been. I had already begun why he was the greatest actor. Obviously, in those days I could not have said what I wrong with the product with most of the acting, the dreadful costumes, ragged actors, the dressy tubercular. All could do to sit on a bench and watch in the lines, and then go, declaiming what I had heard.

That is what Donald V. Megalomania old ham it he undoubtedly was, an adolescent in the 1940s, that is why I sit uneasily to hear him greatness in *Old Vic Macbeth*. For know, the comparison is unfair to the Old Vic; than Wolfit: I shall let him have to go and see for it. But the appearance has come me of what I first saw. Love Shakespeare, properly, although I grew out of it soon afterwards, and I offered him my unreserved first time I saw reviews of his performances. It seemed as good a moment as any to salute his memory what he gave me.

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SCOTTISH DIARY

A tremor of a breeze over Gaelic

Gwynfor Evans has caused quite a shuffling of feet in the Scottish Gaelic. His resolve to fast to death in support of the Welsh language sharply underlines the difference in attitude of Welsh speakers and the Gael.

His appeal to the Scottish National Party was that of the head of one nationalist group to another, although the SNP, unlike Plaid Cymru, has never made Gaelic a keystone of its political argument. The Scots prefer oil and economics to the emotional tribalism of language, and if Mr Evans was a Gael he would indeed have much to fast about.

An Ammono Gaidhealach, the Gaelic Language Society, has argued gently over the years for a full and proper recognition of the language. The odd roadsign has been daubed, the BBC has agreed to repeat its Gaelic lessons and the Western Isles Council representing the only part of Scotland where Gaelic approaches the Welsh rate of native speakers, has at last embarked on a full bilingual policy. There is even a transla-

tion service in English and Gaelic in the council chamber. In addition a film company, a publisher and a theatre group all produce work in Gaelic. Run Rig, a rock group, performs in Gaelic. On Sheil, where a college teaches the language, Ian Noble, a convert to the Gaelic cause, argues that the language and the culture it represents are as precious and worthy of preservation as any historic building or painting.

Apparently on the coast tails of Mr Evans' campaign for a Welsh television channel, an independent campaign to preserve Gaelic as a living language has been launched by a pressure group called Sgrì, which means struggle. The principal aim is to persuade the BBC and independent television stations to increase Gaelic broadcasting from the present 30 minutes to 12 hours a week.

But the fact remains that support for the language in Scotland is very patchy. In Shetland, for example, the opening of a Chinese restaurant in Lerwick means the islands probably have more Cantonese than Gaelic speakers.

Gaelic might well envy the relative strength of Welsh and the concessions Welsh speakers have already wrung from the Government. Colin Spencer, education director of an

Common complaint: "The English-speaking majority does not fully understand that the right to one's language is among the rights recognized internationally by the United Nations and the European Commission of Human Rights. People striving to ensure that their minority language survives are as much dissenters as those behind the Iron Curtain for whom there is great regard and respect."

But any astuteness is not historically in the temperament of the Gael. A blessing for their character but a curse for their language.

Quango hunt

Top jobs are vacant in Scotland's two principal quangos. The Scottish Development Agency is looking for a replacement for Lewis Robertson as chief executive at a salary of £28,250, and in the Highlands Sir Kenneth Alexander is anxious to hand over the chairmanship of the Highlands and Islands Development Board to take over as Principal and Vice-Chancellor of Stirling University.

Interviews for Mr Robertson's successor have begun with head hunters tracking down the right man for the job, but in the Highlands there is no word

of any taker for the congenial £21,750 post.

The latest whisper is that Russell Johnston, Liberal MP for Inverness, could be the man. He has the status, expertise and commitment to the Highlands. As an MP he has a strong personal voice in Skye, where he was born, but because of boundary changes Skye will be detached from his constituency at the next general election. A by-election would be fought on the present boundaries, giving the Liberals the stronger chance.

But if he wanted the job, would Mrs Thatcher offer it? The Scottish Office felt sure there were examples of government appointing individuals from other parties to head agencies but could not actually think of one. Much might depend on whether the Government felt that Mr Johnston's political territory could be turned Tory.

A merging of two other quangos with headquarters in Edinburgh is under way to meet the changing shape of the fishing industry. The Herring Industry Board and the White Fish Authority have shared offices in Sea Fisheries House, Young Street, for several years. In that time the herring industry has declined to a point where it barely needs a board

to support it and the WFA has divided its work first with the home industry and secondly with some lucrative overseas consultancies.

Charles Mack, the WFA chairman, says that overseas development work has taken British fisheries expertise to 40 countries and earned something like £7m that has helped support services to the British industry.

He doesn't yet know what the structure of the new organization will be but the Government is bound to be thinking about direct representation from all sections of the industry. I sympathize with that in principle but it will be very difficult to achieve.

The 250 WFA and HIB staff have lived with uncertainty for a long time and a decision about the future is hoped for early next year.

Nuclear fall-out

In Scotland, the antonymy for Bang, Scram and Coo is Prong. The pro-nuclear group exists to counter the attacks on the nuclear industry by the Highlands Anti-Nuclear Group, the Scottish Campaign to Resist Nuclear Energy, Menace and the Campaign to Oppose Nuclear Dumping. With plutonium shipments soon to start between



Domrey and Winkles, Prong will have its work cut out.

The curious fact about the nuclear industry north of the border is that the closer you get to the heart of Domrey the less is the opposition to it.

This is simply because more than 2,000 people in the area work at the Domrey experimental establishment, where the latest nuclear scares have been reported.

"It is said that we are always on the defensive, always considering claims made by these other groups, but we do try to make it clear there is another side to the argument," said Bill Brown, secretary of the pro-group, who has worked at Domrey for 22 years.

"Some people in the area are against nuclear energy but they are so few and far between that Bang and Scram have difficulty in recruiting anyone."

Prong sees its task as educational, overcoming fear bred from ignorance. Nuclear energy came into the world with a destructive bang from which it has not yet recovered.

Dropping in

Showering from the sky on Orkney in November will be a contingent of SAS soldiers whose arrival in the islands is seen by the local Labour Party as a deadly omen.

Bob Hall, the secretary, complained: "We have asked what they are going to do and they refuse to tell us. There are some houses here in Orkney that are

rousing strong opposition their arrival now makes think."

Orkney had already phoned over the authorities persuading the North and Highland Board to a diesel surplus, and it was "never" considered a normally law-abiding people the prospect that it might be mined on a big farmland north of Strom.

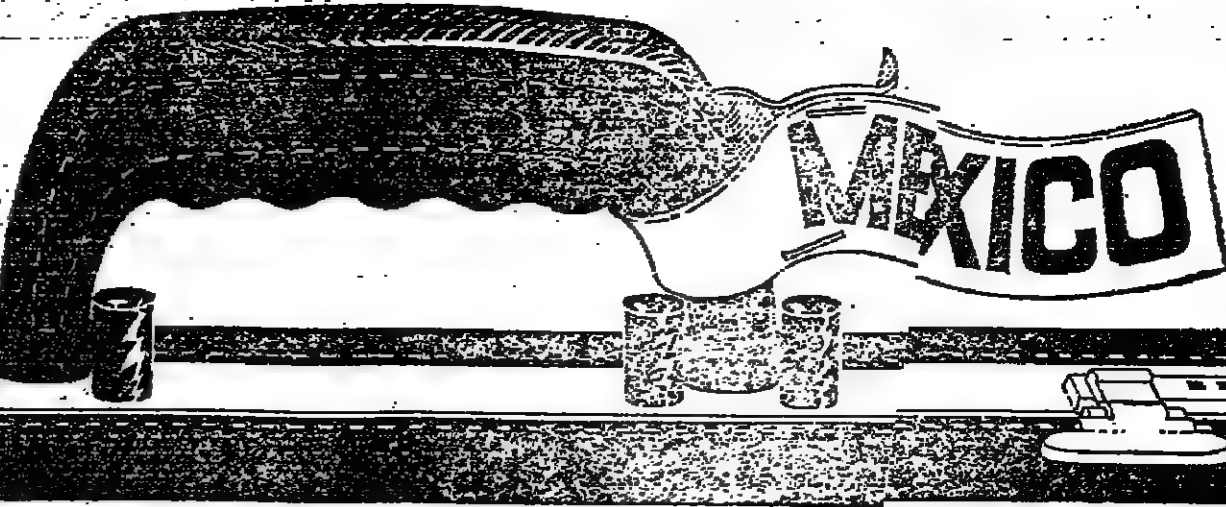
Other islanders take a welcoming attitude. One man thought the SAS would be a great job a transatlantic Embassy, necessary in the kind of we lived in, and if they were to "fleece" in Orkney, should be allowed to go with it.

Pip any night pachtman in Orkney. The oil short must rank as the most sensitive side of the R for a small boat to spill. For a maximum of £10 a day, a man tie up side a rotting hulk without the facilities offered for a fraction of the price. The harbour out says: "We do not accept a craft here. It's very busy."

Ronald I

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This report assesses the political, economic and social climate in Mexico. A two-page business briefing is included.



Michael Frenchman looks under the sombrero at one of the six richest oil-untries in the world

The sleeping giant awakens



Drilling rig on the outskirts of Villa Hermosa, capital of Tabasco.

Photograph: Ed Mullis

Four-year development plan like 'dog without claws'

Of Mexico's ambitious four-year industrial development plan have been since the plan, aims to decentralize industry and create new jobs. One critic says it could need up to 50 to be even partially successful. A leading social sciences and humanities professor says it is "like a dog that has no claws, long to scratch itself, but he believes the country's political organization is deficient. Out half of Mexico's force is either underemployed or has no work. Government wants to up gross internal product growth from 8 per cent to 10 per cent by 1982 and to hold it at that level through the 1980s, thus giving room for more growth. Manufacturing industries are supposed to supply about 10 per cent of the 5 per cent increase in jobs created by the plan. The Mexico three-year plan will correspond to fish-

ing and agriculture. The absence of a list of priorities deformed our industry in the past", says José Andrés Oteyza, the Minister of National Properties and Industrial Development. "A clear example is the location of certain industrial activities, especially those connected with manufacturing industries. They are basically situated in the federal district in multi-polluted areas near by and in neighbouring towns. Their growth is a result of inertia, of a vicious circle that converts the benefits of a company into a burden for society to bear." According to Señor Oteyza, the Valley of Mexico, where the Mexico City metropolitan area sprawls and houses some 15 million people, is responsible for 50 per cent of the gross value of Mexico's industrial goods. His ministry aims to reduce this to 40 per cent by 1982, when President Portillo's six-year administration leaves office. To try to do this, the Government has divided the Mexico three-year plan into three different paper, offering different levels of fiscal and energy price incentives in each one. The most attractive incentives, for example, include the sale of electricity, natural gas and basic petrochemicals for 10 years with discounts as large as 30 per cent. Zone One comprises 11 areas, four ports among them—Coahuacalcos and Tampico on the Gulf coast and Lázaro Cárdenas-Las Truchas and Salina Cruz on the Pacific. Zone Two includes priority regions in each of Mexico's 31 states. Zone Three takes in the federal district and areas near by. New factories built in the zone will not receive fiscal or any other incentives. One of the main criticisms of the plan is that it wastes industrial services already in place in states such as Tlaxcala and Puebla. Over the years both state governments strove to attract new industry. They spent considerable sums of money on roads and promotion, yet will not receive the most favourable treatment offered by the plan. A spokesman for the

The sleeping giant under the big sombrero that is Mexico is stirring at long last. Its awakening heralds an economic and political metamorphosis. It will have a big influence not only on United States and Latin American affairs but throughout the world during the next 10 years.

President José López Portillo's initiative in rededicating and exploiting his country's oil wealth has given it the power which its 65 million people, or at any rate its politicians, have sought since the 1910 revolution. Now among the six richest oil countries in the world, with enough energy resources to see it well into the latter half of the next century, it is indeed a fortunate country.

Not only has oil given the country a new international strength, but its revenues—an expected \$9,000m this year at least—will help it to develop its innumerable other natural resources. It is already one of the world's largest producers of silver and phosphates, in addition to other ferrous and non-ferrous minerals. Other valuable resources include the controversial one of agriculture, together with forestry and fisheries, all of which have enormous potential.

Last year steel production increased by nearly 5 per cent to more than seven million tonnes, making it the second largest Latin American steelmaker after Brazil. Although this reflects a steady growth in output over the past eight years, production is being outpaced by domestic demand. This is partly because of short-term production and financing difficulties, and because of the sudden and almost overwhelming demand for steel by the oil industry and to a lesser extent by the motor manufacturers. In order to meet these orders and those from the construction industry as well, Mexico is being forced to import steel from Europe, Japan and Brazil.

With most of the world's Western motor manufacturers in acute recession, it is something of a surprise to find that Chrysler and Volkswagen Mexicana are roaring ahead. Predicted growth for the car industry is about 20 per cent annually for the next five years. With petrol at a mere 37p a gallon, there is an unprecedented demand for cars, which are desperately scarce—although anyone who has been caught in the Mexico City rush hour would hardly believe this possible. Mexico is also one of the few countries in which big investments in the motor industry are taking place.

Today foreign investment in Mexico is about \$6,500m, with the United States taking the lion's share at 75 per cent. Next in line are West Germany—7 per cent, Switzerland—5.5 per cent and Japan—5 per cent. Britain has fifth place with a mere 4.3 per cent (about \$200m). This year new investment is expected to total \$1,190 overall, with a slight increase on this for 1981. Again, the United States takes the lion's share with about 70 per cent. Japan's share is expected to triple during the next two years.

Britain's total overseas investment is about \$600m, and only less than half per cent is in Mexico. But is now investing in the United States every month as much as its total capital investment in Mexico.

It was in order to for himself, and to try to give a boost to exporters and investors, that Lord Carrington led his delegation to Mexico last week. The British delegation is not a formal one, but it is a sign of the importance of the investment. They do not appear to be the advocates of joint ventures which are almost negligible for investors in developing countries.

Mexico's new development plan calls for \$1,000m a

year investment in 1981—comparatively rare with an annual average of Latin America. Since the 1920s, when the 1911 revolution the Institutional Revolutionary Party (PRI) has reigned supreme, there has been a disinclination to the traditional token investment of 10 per cent of the National Budget. However, President López Portillo's initiative in rededicating and exploiting his country's oil wealth has given it the power which its 65 million people, or at any rate its politicians, have sought since the 1910 revolution. Now among the six richest oil countries in the world, with enough energy resources to see it well into the latter half of the next century, it is indeed a fortunate country.

It is possible to find evidence of a new economic momentum. With a reserve of 100 years, it has managed to escape the world's energy crisis. The inflation rate is falling, and the country's foreign debt is down to \$1,000m. It has already been a success in the past. It has already been a success in the past. It has already been a success in the past.

This may be put to the test in the medium term when President López Portillo, or his successor in two years' time, has to tackle the difficult problem for any Mexican head of state—agricultural land reform. Mexico has been essentially an agricultural country, but this sector is rapidly underexploited today because of the complexity of land holding by the peasant farmers. Were this to be overcome it would not only lead to an essential diversification of the economy but would also provide millions of more jobs for the unemployed and bring many of the 15 million into the active economy of the country.

Another key sector which could use labour to a greater extent is tourism, which last year earned an income of \$1,499m. This year the five million visitors are expected to generate about \$2,000m. Although the Government has supported some magnificent tourist projects, such as Cancun and Xcaret, internal departmental differences over future tourism policy continue to handicap the development of this vital and lucrative resource.

President López Portillo, a lawyer by background, has become a much more popular figure than his predecessor, Luis Echeverría Álvarez, who failed to make his mark as leader of the Third World. He concentrated so much on his Third World ambitions that his home ground suffered. President López Portillo, who has made frequent trips abroad—including visits to China and France, has just concluded a Latin American tour which is earning him great respect as a champion of Third World affairs. One of the first fruits of his efforts has been the deal with Venezuela to provide oil for the less fortunate countries of Latin America and the Caribbean.

He has commanded great respect at home and abroad for his policies because of his personality and the economic weight which his country's oil wealth has provided. This can be seen especially in relations with the United States, which have entered a new era. Mexico refuses to be bullied over such issues as gas pricing by its northern neighbour which is its largest natural customer.

If forecasts prove correct and the United States usually takes more than half its energy needs for gas and oil from Mexico during the 1980s, this will mean less reliance, if not none at all, on Middle East oil. Once sources, as a result, the whole balance of United States-Middle East relations will further change. Another important effect, pointed out by the current issue of *Long's Shipping Economist*, will be important changes in the pattern of world shipping. These will be caused by a reduction in the overall oil and gas shipping needs of the United States and an increase in demand by the Far East and Europe.

The United States has already had to accept the difficulties in dealing with the gas price issue and the question of illegal immigrants from Mexico—more than a million arrests were made last year. The "petrodollar" has produced a degree of confidence (which might be mistaken for arrogance) in Mexican relations with Americans and some other visitors from abroad. To some extent a parallel can be drawn between the attitudes of many Mexicans today and those in the Gulf in the late 1960s and early 1970s. As some Mexicans say, tongue in cheek, "when speaking about 'big brother' in the north, 'Who knows? It may not be long before we get Texaco back'. Certainly, as the sleeping giant acts in his feet, there will be some surprises.

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Stephen Downer and Alan Robinson examine the prospects for some of the country's most vital sectors

Steel

The Mexican Steel Industry's Coordinating Commission has announced its intention to increase production by 170 per cent over the next 10 years, pushing Mexico's installed capacity to 24 million tons in the process.

Total investment in steel expansion during the decade will be \$23,800m, according to the commission. The move reflects the country's industrial growth and emphasizes the inadequacy of its steel production, which will be about seven million tons this year.

Whether the promised investment will arrive in time to save Mexico from importing large quantities of steel only the years will tell. One report, prepared for the United States Government in 1977 and based on figures by the Mexican Iron and Steel Chamber, stated that if expansion of the steel industry as a whole were not under way by 1979, "Mexico will become a heavy importer of steel by 1982."

A step in the right direction to overcome the shortage of steel pipe production is this week's agreement with Japan to build two steel mills worth \$155m.

Labour, administrative and technical problems have beset the Las Truchas steel complex in Michoacan state, built at a cost of \$1,000m with British Steel Corporation technology, and inaugurated in November 1976. It is among the world's most modern steel plants and, according to Mexican officials, has the potential to become Latin America's biggest producer by the 1990s.

The plant was the main prestige project of former President Luis Echeverria's administration, which ended in late 1976. But, despite having an installed capacity of 1,300,000 tons, Las Truchas, which is on the shores of the Pacific Ocean, produced only 560,000 tons in 1978. Last year it did little better, producing some 700,000 tons. Production is expected to have reached 1,200,000 tons by the end of this year.

Revaluation and economic crisis, together with the top priority of the Government of President Jose Lopez Portillo of developing Mexico's oil industry, delayed the start of Las Truchas's second stage until this summer.

The public steel industry, which produces two-thirds of Mexico's steel, was restructured in 1978, with the merging of the three state-run steel giants: Altos Hornos de Mexico, Fundidora de Monterrey and Las Truchas.

They report to the state steel agency, Sidermax, of which Jose Lopez Portillo is the director. He has given a warning that electricity rationing, caused by Mexico's worst drought in more than 30 years, could damage productivity seriously. Because of the widespread power cuts, he added, production of "flats" had dropped by 30 per cent at Las Truchas and by 40 per cent at Altos Hornos.

Conscious of the fact that more money is needed, the private sector is sinking a great deal of money into the industry. Campos Hermanos, the largest private producer of special steels, for example, is investing \$19.8m over two years on increasing plant capacity. Last year the company signed a technical assistance contract with the British Steel Corporation.

In 1978 Campos Hermanos made and sold 63,500 tons of special steels, 22.9 per cent of the 277,000 tons used in Mexico. Senior Victor de la Parra, vice-president and director of public relations of the Sociedad Industrial Hermos, Campos Hermanos's holding company, said the demand for such steels was growing fast. Last year 310,000 tons had been required and there had been a deficit of almost 100,000 tons, compared with the previous year's deficit of 65,500 tons.

So Campos Hermanos conducted market studies and decided to invest the \$19.8m to increase its production to 97,500 tons in 1980 and to 130,000 tons by 1981, Señor de la Parra said.

The company is installing an electric blast furnace and a deslagging mill, as well as complementary production, quality control and anti-contamination equipment.

Señor de la Parra said the demand for special steels grew out of a 16.5 per cent increase in car production in 1978 over the previous year's and a 41.7 per cent increase in lorry production.

"It is also a result of the greater employment of nationally produced goods, decreed by the Government, as a result of the economic recovery, which is transforming the country's industrial sector."

S.D.

Construction

The construction industry in Mexico is expected to grow by at least 20 per cent this year, and most of the country's directors say the industry has never been better.

"The industry improved a great deal in 1979, probably at its highest in history," Señor Hernandez Hernandez, construction manager of one of 14 companies run by the Ballesteros, said. "The group is an organization based in Mexico City. The industry is doing very, very well," and construction companies spokesman said.

With Mexico's oil industry expanding at a fast pace, heavy and light industry have installed all over the country and the government is announcing ambitious plans for tourism and housing, construction companies are finding it hard to keep up new underground rail. Their predicament is aggravated by an acute shortage of building materials.

"Mexico's cement firms are at present able to deliver only about 70 per cent of demand," Señor Hernandez said, using a figure disputed by cement manufacturers. "For some important government projects we have had to import cement. It comes in from the United States, Colombia and Cuba."

When demand exceeds supply, Mexico gets steel for construction from Europe, Japan and Brazil.

But it is not just cement and steel that are lacking. According to the latest figure provided by the national construction industry chamber, the industry grew by about 11.6 per cent in 1979, while plywood production increased 2.3 per cent.

Glass production increased by 0.33 per cent over 1978, a year when glass manufacturing shrank by 4.1 per cent. Corrugated steel rod production rose 8.7 per cent in 1979 compared with 1978. But in 1978 production went down 5.8 per cent against 1977. Cement production last year grew by 5.1 per cent compared to 1978's 11.6 per cent growth.

When building materials are available, government projects get priority. Construction companies say that in terms of pesos being laid out, no other Mexican government has built as much as this one.

S.D.



A new refinery being built near Reforms in the state of Chiapas. Mexico now has the twelfth largest refining capacity in the world.

Ports

In communications, Mexico is on the verge of a revolution. As a polluted and congested Mexico City fast approaches the condition of hell-on-earth, the Government is seeking to move its own departments out to the coast. The move is a five-stage process. The first stage is to move the sea and air ports, building four large industrial ports, plus smaller ones, all Mexico's programmes for economic growth.

In the past, all roads of most of them led to Mexico City. So did all the railway lines. The federal district and the nation's industry, public most of the food produced and consumed the majority of all supplies. Everything brought in comes up 8,000ft. There are 14m people in the federal district and the annual growth rate is more than 5.5 per cent.

There are nearly 2,000 cars jamming an inadequate road system. The frequent sunbathing motorists and the constant traffic jams are a bowl of venom, and a bedlam of assorted din.

The industrial ports project is one of the socio-economic and regional development of Mexico," according to its chief, Señor Julio Rodolfo Morazan Cid, the former Finance Secretary, whose title is Coordinator of Development Projects of the Presidency.

The ports will be built at Altamira, in the state of Tamaulipas, Laguna de Oton, near the present port of Coahuila in Veracruz State, Lazaro Cardenas on the coast of Michoacan, which is the home of the vast Las Truchas steel complex, and Salina Cruz, which will be one of the Atlantic Ocean's largest ports. It is across the Gulf of Tehuantepec.

Altamira will probably be the largest of the new industrial ports, according to Señor Morazan Cid. Work is expected to start in November. The site is close to the port of Tampico, which has reached saturation point and will be somewhat retrofitted. Lazaro Cardenas and Laguna de Oton are seen as centres for heavy industry, while Salina Cruz will complement Laguna de Oton as the ports of the trans-isthmian container traffic link. Work started in 1977 at Lazaro Cardenas and should begin some time next year at Salina Cruz and Laguna de Oton.

S.D.

Mining

Expansion of the mining sector in Mexico is insufficient to meet the country's need according to Señor Fernan Mariari, Under-Secretary of Mining and Energy of National Properties Development.

Although it increased 6 per cent in 1979 in relation to the previous year, he said, without inputs from copper and steel industry mining would not have advanced at all. Production in 1979 was worth \$1,500m, which \$792m worth was exported.

Mexico is among the world's largest producers of silver, Durite and celestine. According to the Mexican Mining Chamber, in 1979 increased the silver production by between 19 per cent and 21 per cent. A men said: "Output was 10 million ounces more than in 1978. Competitors in the international market of a metal that has been in demand for centuries." The nation's mines are producing 150,000 people and 100,000 tons of silver. In 1978, when the price of silver was \$1.20 an ounce, the industry earned \$2.2 million. By the end of 1979, when the price had risen to \$1.50, the industry earned \$3.3 million. The \$2.2m investment is expected to be reached by the end of the year. The additional investment is planned to be \$2.4m. The Mexican Mining Association says: "Developments in mining since mid-1978 include the inauguration by Señor L. Portillo of the Caridad mine in the mountains of San Luis Potosi. La Caridad is expected to be the world's largest copper mine as expected to reach a capacity of 500,000 tons.

The company, on a joint venture between Government and the private sector, with the state holding about 44 per cent of capital. "In most cases such projects will take 20 or 30 years to complete," the Mexican Mining Chamber said. "We did in just over 10 years."

About 20 per cent of the country's new investment will be used in the mining sector. The remainder will be used in such countries as West Germany, Bulgaria, Korea, China, United States and Japan. The Government has copper will be mining's second largest export commodity by value after silver and wheat.

Mexico produces metals and minerals. The world's fourth largest producer of lead, sulphur, barite, arsenic, antimony. It occupies place in the production of zinc, mercury and silver.

Indeed, experts say that Mexico, a quarter the size of the United States, is so rich in minerals that 60 per cent of the 762,000 square mile mining possibilities.

"What has been expected is not even 5 per cent of the area with potential," Señor L. Portillo said. "The Mexican Mining Chamber's agent says."

Mexico has about 100 mines and five firms, more the 1,000 mining companies. Industries: Berrill, Industrias Mineras, Compania Minera, Canadian, Compañia Minera, and Minera F.

The industry reports itself after the passing of Mexican Mining Law in 1976. The law, only one of the companies at least 51 per cent of shares in the hand. Mexicans are eligible to processing plant and concessions. Foreign companies are banned from mining rights. They are not allowed mining company parastatals or sharehold. The Mexican share of capital of any mining company must be at least 6 per cent of the total stock.

Mexico produced 5 of gold in 1979, according to figures released by the Mexican Mining Chamber. The value of gold production was \$1,536,772,000 (\$534,383,608). Silver production was 1,536,772,000 (\$534,383,608).

Non-ferrous metals produced in 1979 were: 80,205,435 tonnes of copper, 107,109 tonnes of zinc, 2,872 tonnes of antimony, 25,342 tonnes of lead, 230 tonnes of cadmium, 1,773 tonnes of selenium, 2,520 tonnes of tungsten, 171,069 tonnes of molybdenum.

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Mexico City's roads are "clogged with traffic," by contrast, drivers in the queues at toll barriers, pictured above, have to muster patience.

A.R.

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A sound present assures our future

Motors

With the American motor industry still in recession, the big American manufacturers must be astonished by the figures coming in from their Mexican subsidiaries. The Mexican car industry is well into its third consecutive year of high growth and still cannot satisfy the domestic demand as buyers line up, cash in hand eager for anything on wheels.

In 1976, the year of peso devaluation, the industry's sales slumped by 12.4 per cent after several years of growth. The following year sales slipped another 4.6 per cent. From then on the tide turned, with sales rising 24.8 per cent in 1978, 17.3 per cent in 1979, and a probable 14 per cent by the end of this year.

During 1979 sales of luxury cars fell drastically in the United States; but the dinosaurs were moving south. The Mexican industry sold 10.5 per cent more luxury cars in 1979 than in the previous year and even had to import a few to meet the demand. The crucial factor in that market is the comparative cheapness of Mexican petrol.

The American car industry has laid off more than 260,000 workers this year, while Mexico's industry is projecting a 61 per cent growth in jobs from now to 1982. While the Chrysler corporation lost a record \$448m in the first quarter of this year, its Mexican subsidiary was tucked in close behind Volkswagen with the second best sales figures in the Mexican market.

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GRUPO INDUSTRIAL

FACTS AND FIGURES

For the traveller

How to get there

Benito Juárez, the international airport, is about 20 to 30 minutes' drive from the centre of Mexico City. British Airways offers several direct flights from London each week, and will also arrange connections with other carriers by its New York and Miami routes. British Caledonian operates daily to Houston, there direct flights to Mexico City are available. Braniff and Pan Am also offer daily services via the United States.

The Aztec Eagle runs daily from St. Louis, Missouri, via Laredo to Mexico City. United States border (from rail links) are at El Paso, Nogales, Calexico, Presidio, Eagle Pass and Brownsville. All except the last two offer dining car and sleeper services. Bus services are also available.

It is possible to travel by sea from Britain through the Panama Canal to Acapulco, but the services are only occasional and the trip takes about two and a half weeks.

Local travel

All the country's main commercial centres are linked by the state airline, Aeroméxico, and Compañía Mexicana de Aviación, both of which offer daily services. Several international airlines, in turn, link Mexico City with other capitals around the world.

Night trains are available from the capital to Guadalajara and Monterrey, but these apart, the railways are unlikely to prove particularly attractive to the business visitor. An excellent network of paved roads exists, covering some 125,000

miles, but the distances between the important cities are considerable. The journey to Guadalajara, for example, takes about an hour by air and nine hours by road, while Monterrey lies 15 hours distant along the highway. Buses and coaches are available for both short and long-distance journeys.

Taxis in the capital are cheap, but their drivers often need guiding to the destination and as in London the cabs seem to disappear when it rains. Two-passenger Volkswagen, usually painted yellow, charge metered fares. Orange cabs taken from a rank, or those used outside city limits, tend to be more expensive and the rate is best agreed in advance. The latter also applies to the turismo cars which wait outside the larger hotels.

Pesceros, or communal taxis, are green and white and ply the city's main thoroughfares, charging flat rates per given distance. Self-drive or chauffeur-driven cars are available but are expensive. The capital has a good, if somewhat limited, metro on which a flat fare is charged if a book of 10 tickets is purchased.

Local customs, advice to visitors

Titles are important to Mexicans who expect them to be used both orally and in writing. Abbreviations such as Lic. (Licenciado), Arqu. (Arquitecto) and Ing. (Ingeniero) indicate holders of degrees; if in doubt about the degree held, it could be tactful to use the term Licenciado rather than señor.

Because most of the important population centres are at high altitudes, where digestion is slower, Mexi-

cans take the main meal of the day in the early afternoon; this is why many businessmen are not available between 2 pm and 4.30 pm. Traditional dishes include tortillas (thin flat pancakes made from maize (shredded meat, cheese, chicken, eggs or vegetables folded into a tortilla and fried); enchiladas (tortillas filled with meat or cheese and cooked in a tomato sauce); tamales (cornmeal wrapped around meat, chicken, chili and other ingredients); and mole (a sauce made from chocolate, chili and a dozen or more other ingredients).

Most of the main provinces of the capital, offer hotel accommodation, but the quality varies considerably. Value-added tax of 10 per cent is put on hotel as well as on restaurant and bar bills. It is not unusual for 10 to 15 per cent to be added to hotel bills for service. Porters look for about five pesos a bag and bell boys for one or two pesos.

Taxi drivers are tipped only when a special or extra service is given. In restaurants the tip is usually 10 to 15 per cent, and in bars 10 per cent. Cloakroom attendants are given about five pesos a theatre usherette one peso.

Importation through customs of fruit, plants and flowers is not allowed, but this spare there are no particularly restrictive regulations. If in doubt, check with embassy officials.

Travel documents needed

Visas are not required for entry into Mexico, but a passport is, of course, neces-

sary. Tourists must obtain a card for either single or multiple entry; these are issued free by the Embassy's Consular Section in London or by airline offices.

Business visitors are asked to apply to the Embassy's Consular Section for a business card. The form should be returned with the passport, two passport photographs, and a letter from the traveller's company indicating the kind of business to be transacted, the names and addresses of Mexican companies to be visited, and details of who will be financially responsible for the visitor during his stay in Mexico. A fee is charged for a business card. As in most other countries, immigration regulations can change rapidly; consult the Embassy for details before departure.

Language

The official language is Spanish, but English is widely used in business affairs. About 10 per cent of the population speak only Indian dialects.

Hotels

Mexico City: Telephone Telex

1. Alameda	5180520	01772416
2. Aristos	5330550	01771067
3. Camino Real	5456960	01773001
4. Continental Hyatt	5180700	01773983
5. Maria Isabel Sheraton	5359060	01772432
6. Presidente, El	8542025	0665444
7. Presidente Chapultepec	El 2507700	01776392
8. Reforma	5469560	

Note: The initial 0 should be omitted when telephoning from the United Kingdom.

Embassies

Mexican Embassy in London, 48 Belgrave Square SW1X 8QY. Entrance to Embassy and Consular Section, 8 Halkin Street, SW1X 7DW. Telephone 01-235 6393/6. Telex 918276.

Ambassador: Dr José Juan de Ollonul. Minister Counsellors: Sr Lic Hector Cardenas and Dr Tomas Penaloza.

British Embassy in Mexico City, Calle Rio Lerma 71, Colonia Cuauhtémoc, Mexico City 5. DF. Telephone 511 4880 and 514 3327/3886/3686. Telex 1773093 a/b 3093 UKEMMX.

Ambassador: Norman E. Cox. Minister Counsellor: Keith E. H. Morris. Counsellor (Politics/Economics) and Head of Chancery: A. Leicester. Clerk: Coleman.

There are British Consular offices in Mexico City, Acapulco, Guadalajara, Mérida, Monterrey, Tampico and Veracruz.

Shopping

Look out for silver items, hand-tooled leather, antiques, jewelry, paintings, sculpture, glassware and embroidered dresses. An extremely wide range of handicrafts is practised, and especially patterned baskets, masks, toys and embroideries are on offer everywhere.

What to wear

For Mexico City, the rule is 'lightweight suits for men in the summer, European-style clothing in the winter'. Women will be most comfortable in silk or cotton dresses during the hotter months and in light wool or jersey suits around the turn of the year. Cocktail dresses and a light coat or wrap are useful for evening functions. A light raincoat and/or umbrella will be needed in the rainy season, and sunglasses are advisable. Good, fast dry-cleaning and laundry services are offered by the larger hotels.

Sport, leisure and entertainment

Mexico City and other important towns offer performances of opera, ballet, classical music and plays by both national and international companies; films and variety shows are also popular.

Mexico City's National Museum of Anthropology is regarded as one of the finest in the world and should not be missed.

One of the most popular spectacles is the sun at jumari-type presentation at the Pyramids of Teotihuacan, functioning from October until May and reached in about an hour by bus from the monument to the Revolution.

The Ballet Folklórico presents Mexican Indian dances and costumes. Pop, jazz and band concerts are staged in the parks on Sunday, together with other amusements. Most of the larger towns and cities arrange bullfights and rodeos (charreadas).

Soccer is one of the country's most popular sports, but almost every type of game is played. Because of its proximity to the Gulf of Mexico, Mexico is particularly active in aquatic sports and fishing.

Hunting licences are offered by most of the states. All the 5 sign is used to in person with the contr "dls" favoured for in United States cur

Greenwich Mean minus six hours (C Standard Time) apply most of Mexico. GMT seven hours (Mo Time) is used in ar east of the Gulf of fornia. GMT minus 8 hours (Pacific Time) to the northern part peninsula between the of California and the Ocean.

Currency

The Mexican peso is divided into 100 centavos. Coins are issued in denominations of 20 and 50 centavos and one, five and 10 pesos; notes are to the value of 10, 20, 50, 100, 500, 1,000 and 10,000 pesos. The 5 is worth 50 pesos. Most Europeans find non-peso transactions easiest in United States dollars, which are readily negotiable.

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General

History

Of the six main pre-Columbian civilizations in Mexico, perhaps the best known to Europeans are those of the Mayas and the Aztecs. By the start of the sixteenth century, almost all of south and Mexico was under Aztec control.

Hernán Cortés arrived at Veracruz with 500 soldiers in 1519; his conquest of the area for Spain was made easier by the conviction of the Aztecs, under Moctezuma, that he was the god whose arrival had been foretold to them in a prophecy. As the final quarter of the century opened, more than 160,000 Spaniards held sway in an empire which extended from New Mexico and Florida in the north, through Central America, and down into much of South America.

Over the years that followed, the country was largely converted to Christianity and the Indian and Spanish traditions intermingled to produce distinctive Mexican architectural and cultural styles. The givenness against Spanish rule flared into open revolution in 1810, and 11 years later the people of Mexico declared themselves independent. War with the United States, which broke out in 1845, ended three years later with Mexico giving up control of Texas, New Mexico, Arizona and California to its northern neighbour.

French forces invaded the country in 1862 and installed Archduke Maximilian of Austria as Emperor. Five years later, Maximilian was executed and Benito Juárez restored the republic. After the latter's death the country came under the control of the dictator Porfirio Díaz and large sums of British and American capital began flowing into the Mexican economy. The Díaz regime ended with the great revolution of 1910; internal division followed, but by the late 1920s Mexico had a new constitution and the foundation on which to build a stable government.

To the north, and fairly close to the border town of Nuevo Laredo, is Monterrey. Much of the country's heavy industry is located here. It has almost two million inhabitants and is doubly blessed by its proximity to Texas has a more American air about it than other Mexican cities. Mexico's principal ports are Veracruz, Tampico and Acapulco, the Gulf of Mexico, and Acapulco, Guaymas, Mazatlan and Salina Cruz, overlooking the Pacific.

Country

Occupying the southern part of the North American continent, Mexico has extensive borders on the Pacific Ocean, the Gulf of Mexico and the Caribbean. The total area covered is about 760,000 sq miles.

The southern end of the Isthmus of Mexico is known as the Sierra Madre Occidental and runs parallel with the west coast. It terminates in a series of transverse volcanic peaks. The Sierra Madre Occidental becomes the Sierra Madre Oriental and follows the line of the eastern seaboard. Between the two ranges is a high plateau. To the west is the mountainous peninsula of Baja California, which is separated from the mainland by the Gulf of California. The country's southern borders are with Guatemala and Belize (formerly British Honduras).



The Palacio de Bellas Artes in Mexico City.

Public holidays

1980

El Grito, anniversary, Sep. 16
Independence Day, September 16
Mexican National Day, October 12
All Saints' Day, November 1
All Souls' Day, November 2
Anniversary of the Revolution, November 20
Day of Our Lady of Guadalupe, December 12
Christmas Eve, December 24
Christmas Day, December 25

1981

New Year's Day, January 1
Constitution Day, January 5
Juarez's Birthday, March 21
Maundy Thursday, April 16
Good Friday, April 17
Labour Day, May 1
Battle of Puebla Anniversary, May 5

Weights and measures

The metric system is used in Mexico. The exception is the imperial system, which is used in the oil industry.

Electricity

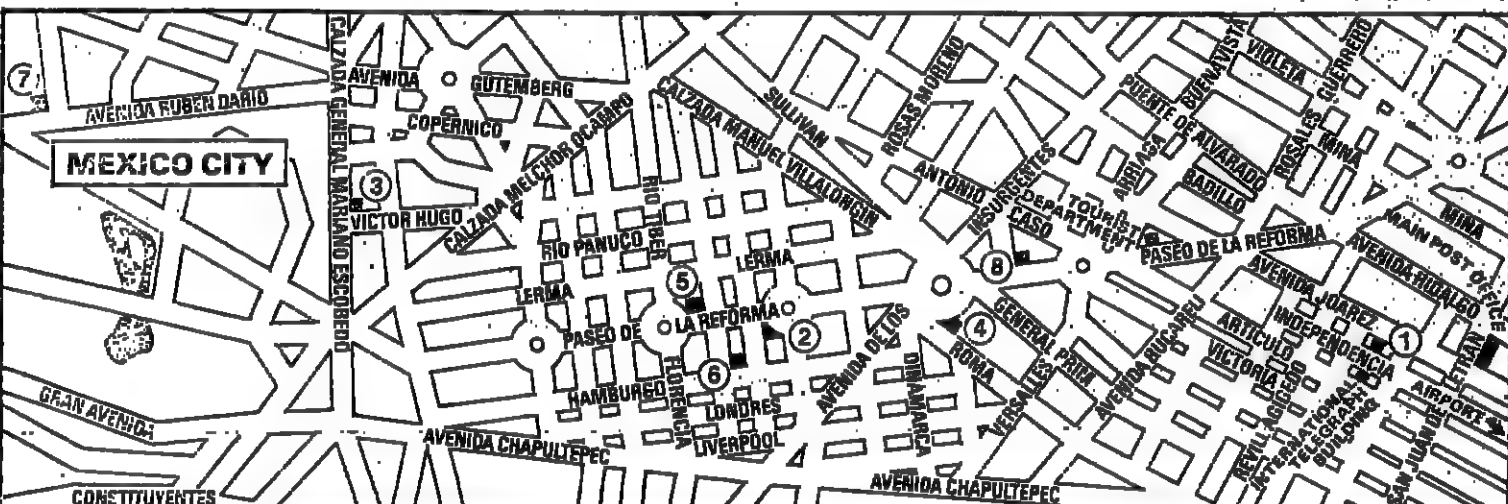
Power is supplied at 117 volts, 60 cycles, out the country. Flat plugs of the type owned in the United States are common, but have a screw rather than a pin.

Health, water supplies

Visitors to Mexico are advised to avoid all raw food, especially the first day or two, may find themselves rapidly in the atmosphere. Digestion is slower at higher altitudes, so over-indulgence should be avoided. While in the large cities, to drink, stomach up to be minimized by not raw salads or vegetables. Some experts suggest visitors intending to tropical zones should be vaccinated against typhoid, cholera and polio. Small children is no less required unless they are arriving from an area. Medical services are available in all areas. There are British and American hospitals in the capital.

The flag

Three vertical stripes, green, white and red, with the national coat of arms in the white section.



SUCCESS

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Main cities

All roads lead to and from Mexico City, which perches nearly 7,400 ft. above sea level against a backdrop of the snow-covered volcanic peaks of Popocatepetl and Ixtaccihuatl. One of the largest cities in the world, with a metropolitan population of about 16 million, and an unenviable air pollution problem, the Mexican capital is also the oldest in continental America. The Aztec capital, Tenochtitlan, was built on the site in the fourteenth century, only to be razed by Cortés almost 200 years later, and replaced with the beginnings of the city as it is known today. Mexico City is simply Mexico or the Distrito Federal.

In addition to acting as the hub for the country's extensive transport network, Mexico City is also by far its largest industrial commercial and financial centre. But Guadalajara, to the west, houses a great deal of light industry and acts as a distribution centre for the west central area; its population is thought to be about 2,200,000.

Climate

Mexico City, on the country's central plateau, is usually dry from October to May. During the wet season (June to September) rain falls for two or three hours on most days. Because of its altitude, the city's night temperatures seldom exceeds 13°C (55°F), and sharp frosts are experienced from December to February. Average day temperatures range from 19°C (66°F) in December to 26°C (78°F) in May.

Guadalajara's temperatures are slightly higher than those of Mexico City, while Monterrey has extremes. Because of its geographical situation and the mixed nature of its terrain, Mexico's climate is extremely varied.

People

Three in every five Mexicans are mestizos, or people of mixed Spanish-Indian blood. About 30 per cent are native Indians and the remainder people of European (chiefly Spanish) origin. About a fifth of the total population lives in the central Mexico basin. While there is no official religion, the vast majority of Mexicans are Roman Catholics.



Industry and politics

Head of State

Mexico's President is Señor José López Portillo, who was born in Mexico City on June 15, 1916, and is a member of the Partido Revolucionario Institucional (PRI). A law graduate and at one time the country's Finance Minister, Sr López Portillo was elected on July 2, 1976, when he polled nearly 17,700,000 of the 25,900,000 votes cast. He took office for a six-year term on December 1, 1976, and is thus scheduled to make way for his successor in the second half of 1982. Sr López Portillo is married and has three children.

System of government

The right to vote has been given to all nationals with an honourable means of livelihood, who are 18 or older; women were accorded equal citizenship and suffrage in the early 1950s. The thumb prints of all registered voters are recorded.

The Mexican Congress consists of a Senate and a lower house of Representatives. The Senate has 64 members, 24 are elected from each of the 31 states and 40 from the federal district, which makes up Mexico City, and serves for six years. Senators are elected for two-year terms and since 1975 each party division has been assigned to the same under a system of proportional representation. Neither senators or deputies can be re-elected until after another term has elapsed.

The President, appointed direct popular vote, can seek reelection once he has served his six-year term, or he can appoint the successor. If the president's office falls vacant during a first two years, a general election must be held; after a period, a successor is elected by Congress. Each of the 31 states has its own governor, also elected by popular vote, and each has a local representative assembly and a superior court of appeal.

The presidential "re-election" rule is also applied to the governors. The party far the largest of the political parties and the one which has dominated the country's affairs for years, is the Partido Revolucionario Institucional, or PRI. The Partido Acción Nacional (PAN) has about 10 per cent, the deputies and forms opposition. Other groups are the Partido Popular (PPS), the Partido Acción Nacional (PAN), the Partido Comunista Mexicano (PCM), and the Partido Democrático Mexicano (DM).

Cabinet Ministers

Foreign Affairs: Antonio Toledo Corto.
Agriculture and Hydraulic Resources: Francisco Marín Rábago.
Commerce: Jorge de la Vega Domínguez.
Communications and Transportation: Emilio Múgica Acosta.
Finance: David Ibarra Luján.
Internal Relations: Jorge Arredondo y Álvarez de la Rosa.
Health and Welfare: Dr. Emilio Martínez Manautou.
Internal Security and Public Works: Dr. Pedro Amador Vázquez.
Interior: Enrique O'Farrill Sacuma.

National budgets (1,000m pesos)

	1973 (Budget)	1979 (Actual)	1980 (Budget)
Central government income	409.3	837.9	846.8
Public sector entities' income	371.7	570.8	570.8
Central government borrowing	213.8	439.7	259.2
Entities' borrowing	129.5	439.7	206.6
Gross income	1,124.3	1,277.6	1,583.4
Current spending	631.1	657.5	863.9
Capital spending	241.6	302.9	409.4
Debt servicing	251.6	337.2	311.1
Expenditure	1,124.3	1,277.6	1,583.4
Expenditure by selected sectors			
Industry	300.1	281.2	521.2
Welfare and education	221.7	250.2	232.6
Agriculture	65.9	194.1	123.9
Communications and transport	65.4	73.5	97.1
Trade	51.7	46.2	62.4
Administration	47.8	34.1	42.9
Defence	15.8	13.5	18.9
Others	12.9	16.5	20.2
Non-attributable	322.0	475.2	514.2
Total	1,124.3	1,277.6	1,583.4

Balance of payments (\$m)

	1977	1978*	1979*
Current account			
Revenues (exports, service and transfer payments)	8,433.6	11,257.7	16,403.4
Outflow (imports, service and transfer payments)	9,986.9	14,238.0	20,649.9
Balance on current account	-1,553.3	-2,980.3	-4,246.5
Capital account			
Long term	4,380.3	4,357.5	4,094.9
Short term	-1,667.1	-1,133.7	459.8
Balance on capital account	2,713.2	3,223.8	4,554.7
Special drawing rights	—	—	70.0
Errors and omissions	-458.7	-659.0	-89.3
Net surplus or deficit	504.3	222.5	269.9

Preliminary figures

Sources of central government income ('000m pesos)

	1979 (Budget)	1980 (Budget)
Income tax	137.4	198.7
Taxes on industries, production and trade	73.5	84.1
Turnover tax	64.3	—
VAT (from 1980)	—	80.9
Export tax	39.2	150.5
Social security	51.4	67.0
Other taxes	42.9	65.6
Total	409.3	648.8

Labour and Social Welfare

Minister: Pedro Ojeda Paulina.
National Defence: General Félix Galván López.
The Navy: Admiral Ricardo Chisno Lara.
Patrimony and Industrial Promotion: José Andrés de Ojeda.
Programme and Budget: Miguel de la Madrid Hurtado.
Public Education: Fernando Solana Morales.
Tourism: Guillermo Rosell de la Lama.

Officials

Attorney-General: Mexico, Oscar Flores Sánchez.
Mexico City, Augustin Alanís.
Chief of Staff (Presidential): General Miguel Ángel Godínez.
Director of the Federal Electricity Commission: Hugo Gutiérrez del Río.
Mayor of Mexico City: Professor Carlos Hank González.
Director of the Mexican

Institution of Social Security

Minister: Arlene Riquelme Cubillas.
Chief of the Military Industry Department: General Alonso Aguirre Ramos.
Director-General of Petróleos Mexicanos (PEMEX): Jorge Díaz Serrano.
Private Secretary to the President: Roberto Casillas.

Domestic economy

Mexico's ambition is to become a major industrial economy before the end of this century. In the past two years it has taken firm steps on this road. After an economic crisis in 1976 which culminated in a 20 per cent devaluation of the peso, recovery has been rapid. Gross domestic product grew, in real terms, by 7 per cent in 1979 and a further 8 per cent year to reach 2,736,000m pesos. A similar increase is expected this year.

A key feature of the recovery has been a dramatic increase in oil reserves and

subsequent production.

In addition, Mexico is a leading producer of silver, lead, zinc, copper, sulphur, graphite and many other minerals. Cultivation of almost any agricultural product is possible, limited only by adequate water supplies.

Inflation, as measured by

consumer prices, rose by 20 per cent last year, followed by a further 13.2 per cent in the first five months of 1980. New minimum wage agreements for 1980 were settled at an average of about 18 per cent.

Public sector spending was up by more than a fifth last year at 1,278,000m pesos, a contributing factor to a 38 per cent increase in money supply. This year's budget expects a 50 per cent increase in spending over the 1979 level.

Investment by the Government is expected to total 814,500m pesos in 1979-82, with the aim of creating 2,500,000 jobs.

In the industrial sector, steel production rose 4 per cent last year to 7,040,000 tonnes; output this year is estimated to be 20 per cent higher at 8,500,000 tonnes. Cement production is expected to rise by 20 per cent in 1980 to 18,450,000 tonnes, after a 9 per cent increase last year. Motor vehicle production was 14 per cent higher in 1979 with a total of 438,152 units, including 229,049 cars.

Just over a third of the working population is employed in agriculture, which accounts for a quarter of gross domestic product. While growth in this sector rose only 2.2 per cent last year, the annual growth target is 5 per cent for 1980. In order to achieve food self-sufficiency, main crops include coffee, cocoa, soya beans and citrus fruit.

Population and employment

The population increased steadily at 1.6 per cent a year during the next decade to reach 69,300,000 in mid-1979. The rise is concentrated mainly in the large cities. About 46 per cent of the population is under 15.

There are no official national statistics for unemployment, but in the federal district of Mexico City it is estimated that about 10 per cent are unemployed, with about 40 per cent underemployed. About 800,000 new jobs are needed each year simply to remain at this level.

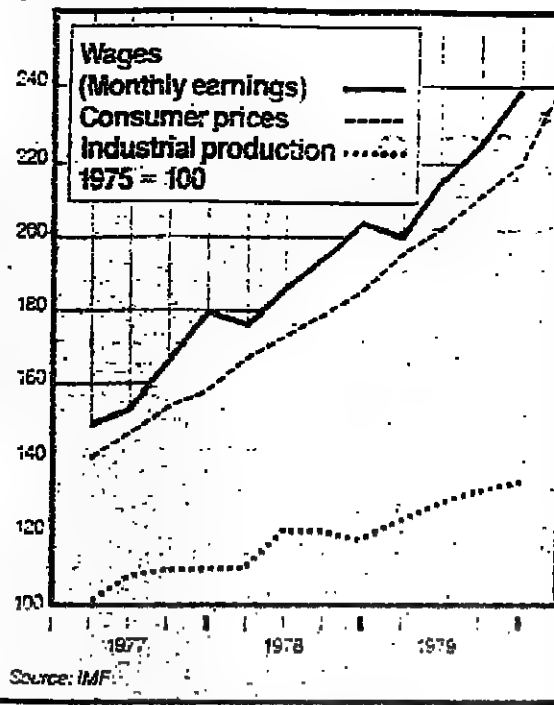
The variable minimum wage is believed to be equivalent to about \$6.50 to \$7 a day.

Oil

Mexico ranked last year in sixth place among world oil producers with an output of 80,700,000 tonnes (an average of 1,618,000 barrels a day). Proved reserves total 30,000m barrels, the sixth largest in the world and sufficient for about 50 years' production at present rates. Potential reserves are estimated to be 200,000m barrels.

Production this year is expected to be at about 2,200,000 barrels a day, about half of which will be exported. Oil exports earned

Prices, wages and production



\$2,700m last year compared with \$1,720m in 1979. Earnings this year are expected to reach \$2,000m.

Commercial production began in 1901 rising to a peak of 530,000 barrels a day in 1921, but then declined steadily. The Government nationalized all oil companies in 1938. Petróleos Mexicanos (PEMEX) is the government agency responsible for the exploration, exploitation, refining, distribution and sale of oil and petroleum products.

The main boost to production during the 1970s came from the new fields in the south-east areas of Tabasco and Chiapas which now account for 86 per cent of Mexican production.

By early 1979, Mexico became self-sufficient in refining capacity. This now stands at 1,125,000 barrels a day from nine refineries. A further four refineries, two of which are under construction, will be in operation in 1982.

External economy

Higher income from oil exports last year was more than matched by higher imports due to the public and private sector investment programmes, domestic shortages and lower domestic prices because of poor weather which heightened food imports. Official estimates suggest that imports this year will cost about \$17,000m with exports realising between \$14,000m and \$15,000m, two thirds of this coming from oil. Last year's current account deficit was \$3,000m and is expected to be about \$3,500m in 1980.

It is hoped that higher oil exports with a stabilization of major investment programmes will eventually reverse the trend. For example, the state oil agency, Pemex, has planned total investments of \$19,000m in 1977-82. Of this at least \$9,000m will probably be borrowed from foreign sources but only 30 per cent will consist of foreign goods and services.

Adding \$5,000m for the service of the borrowing, the external costs add up to \$14,000m. This compares with expected export of \$2,000m from import savings, making a total of the United States. In 1979, the United States imported more than 6,700,000 barrels of oil a day (supplies are only 40 hours away by ship, compared with 40 days from the Gulf).

Foreign Trade (\$m)

	1978	1979	Change (per cent)
Sources of Mexico's imports			
United States	4,948.6	7,482.9	+51.2
EEC	1,435.0	1,951.7	+36.0
Japan	589.3	790.3	+34.0
South America	349.1	568.8	+62.9
Else	249.5	349.4	+40.0
Spain	117.8	223.1	+89.3
Canada	162.0	197.7	+22.0
Rest of the world	281.8	533.3	+88.8
Total	8,143.7	12,997.2	+58.5

Markets for Mexico's exports

	1978	1979	Change (per cent)
United States	4,034.5	5,870.3	+45.5
EEC	341.7	508.9	+48.9
Spain	152.7	463.1	+203.3
South America	380.5	417.9	+9.8
Israel	112.6	286.6	+154.5
Japan	199.6	283.5	+42.0
Central America and Caribbean	137.5	136.9	-0.4
Canada	61.5	73.6	+19.7
Rest of the world	796.7	872.5	+9.5
Total	6,217.3	8,913.3	+43.4

Trade with Britain (£m)

	1977	1978	1979	1980 Jan-April
British exports to Mexico				
Machinery and transport equipment	53.15	75.71	86.92	30.72
Including:				
Power generating equipment	—	(28.51)	(25.01)	(8.13)
Road vehicles	—	(14.89)	(24.47)	(7.42)
Specialized machinery	—	(12.53)	(16.00)	(6.60)
General industrial machinery	—	(11.22)	(12.20)	(3.57)
Chemicals	12.46	11.15	12.73	4.66
Iron and steel	3.10	2.79	8.99	0.85
Whisky	3.51	4.01	6.29	2.15
All other goods	6.78	14.92	19.89	8.42
Total	79.00	108.58	134.82	46.80

Mexican exports to Britain

	1977	1978	1979	1980 Jan-April
Non-ferrous metals	19.19	15.72	13.48	25.40
Chemicals	4.77	7.25	5.25	1.52
Food and live animals	4.29	5.49	4.39	0.33
Crude minerals	3.89	3.58	2.95	0.91
Textile yarns	1.38	2.92	3.40	1.21
All other goods	6.79	6.63	6.87	2.54
Total	40.31	41.59	36.34	31.91

Source: Department of Trade

derivatives of about \$38,000m or an average of \$6,330m a year. The net benefit to trade is \$26,000m, as well as a likely Mexico's trade-both in \$2,000m from import savings, making a total of the United States. In 1979, the United States imported more than 6,700,000 barrels of oil a day (supplies are only 40 hours away by ship, compared with 40 days from the Gulf).

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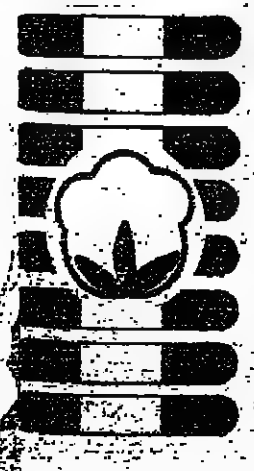
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Michael Frenchman reports on the oil industry which will earn about \$9,000m in revenue this year

United States is becoming a bigger and bigger customer

One of the most significant changes affecting the United States this decade will be its greater reliance on Mexico as its most important energy supplier. At present Mexico is producing 2,304,000 barrels a day and, according to some experts, this could rise to seven million a day by the late 1980s. About five million will be exported and if the United States was to take three million barrels it would meet half the country's total estimated requirements.

On paper this scenario, outlined by Mr. George Phillips of London's Institute of Latin American Studies, looks fine but avoids some of the present political and administrative constraints within which the oil industry must develop. There is no doubt, as first put forward in *The Times* four years ago, that Mexico would become one of the world's largest oil producers. According to President José López Portillo's annual state of the union address to the Mexican Congress two weeks ago, Mexico is now the fifth largest oil producer in the world, having increased its output in 1979 and 1980 by 20 per cent. Such statements of rises in proved and potential reserves are now an almost regular feature of Mexican life, occurring every four or five months. They immediately lead to a further round of economic speculation as politicians and pundits alike read just their forecasts for the implications of this apparently unstoppable Mexican flow of wealth.

The latest announcement puts the total reserves of hydrocarbon at 60,126 million barrels, compared to last March's figure of 50,022 million. Potential reserves have gone up by 5,000 million to 250,000 million. Probable reserves are put at 38,000 million. All these figures are for oil equivalent (combined oil and gas) but approximately two thirds are for crude oil. Taking the figures of proved reserves at just over 60,000 million, this means that Mexico has more than enough oil for its own needs until well into the next century.

Oil has had a long, turbulent history in Mexico since its commercial beginnings in 1901. Twenty years later peak production had risen to 530,000 barrels a day, which was then 25 per cent of the world output, making Mexico the second largest producer after the United States. Legal uncertainties and ineffective exploration led to a rapid decline in activity. By 1932 production had fallen to a mere 89,000 barrels. Nationalization of the industry followed in 1938 and Petróleos Mexicanos (Pemex) was established.

Production and development continued to oscillate, reaching a second peak in the late 1940s and 1950s. New discoveries in 1972 promoted optimism but their magnitude was not realized until 1976 when Señor López Portillo, then President-elect of Mexico, ordered a special team of geological analysts to look in detail at the country's hydrocarbon resources.

In that year, proved reserves were put at 6,338 million barrels. Exploration activities were speeded up and, as a result of this and more thorough examination, the present Government, headed by President López Portillo, was able to state that reserves had reached 45,803 million barrels by the end of last year—an increase of 690 per cent in three years. This has brought it up from eighteenth place in the world reserves league to sixth, a no mean achievement, even by Middle East standards.

Mexican officials in both government and private sectors are at pains to try to dispel the image that the country is floating on a sea of oil and that there are mountains of petrodollars. Try as they might, Mexicans cannot hide the growing evidence which comes to light almost daily that their country may, in fact, have the world's largest offshore oil reservoir in the Gulf of Mexico. According to Pemex, Mexico stands in the "Balsas Gateway", the geologists' term for a 100 mile-long, 500 ft deep sea passage, linking the Pacific and Atlantic oceans, which contains oil-bearing sedimentary rock formations, both onshore and offshore, particularly on the Atlantic or Gulf side.

The extent and potential of this area, particularly the so-called Campeche field, was highlighted last year by the unfortunate blow-out of the Ixtoc 1 exploratory well, 90 km north of Ciudad del Carmen. This poured out some 3,100,000 barrels of crude, and resisted all attempts to cap it for 10 months. Even now some small seepage is still said to be taking place. Mexico came in for a great deal of criticism over the Ixtoc affair, partly because of a disagreement between Pemex and the Government on whether there should have been a "cover-up" policy to diminish the magnitude of the disaster. In the outcome factor has only served to prove that the exploratory well was drilled into an oil reservoir of unprecedented size and pressure.

OLADE, the Latin American energy organization, has stated that it believes that the Akal and Nohoch fields in Campeche are probably the largest offshore oil production areas anywhere in the world. Between 300 and 400 wells are being drilled annually, both on and offshore. During the next 10 years about 16,000 wells are to be drilled in the Campeche area, mostly in the Chicontepec Paleozoic. The most commercial-looking area lies at a depth of about 1,200 metres, and the wells may give a production of only 20 to 100 barrels a day. In contrast with the United States this is far above their average production, which is only 16 barrels a day. Overall Mexican production is 2,304,000 barrels a day. Production from the existing wells in the Campeche area is just over 500,000 bpd. This is expected to be increased to one million bpd within the next two years.

During the current investment period which ends at the end of 1982, Pemex is spending about \$13,000m on exploration and development. In 1979 it contributed \$2,000m in federal taxes and payments this year are expected to be considerably higher. Receipts from oil exports have gone up from \$1,800m in 1978 to an expected \$3,000m this year, which will be about 75 per cent of the value of the country's total exports.

Although the potential exists for a tripling of oil production, the Mexican government policy to restrict production to a maximum of approximately 2,700,000 barrels until 1982. It is now about 2,300,000 barrels.

After President López Portillo's tour of Latin American countries and other parts of the world, Mexico jointly announced with Venezuela a plan to supply some 150,000 barrels daily to some of the energy-starved Latin American countries. Mexico has also substantially increased its exports, in theory, to Japan, France and Brazil, as well as the United States, which also takes substantial quantities of gas after a long drawn-out wrangle over pricing.

Major oil exports so far announced are:

Country	United States	France	Spain	Japan	Israel
Barrels bpd	780,000	100,000	100,000	100,000	45,000

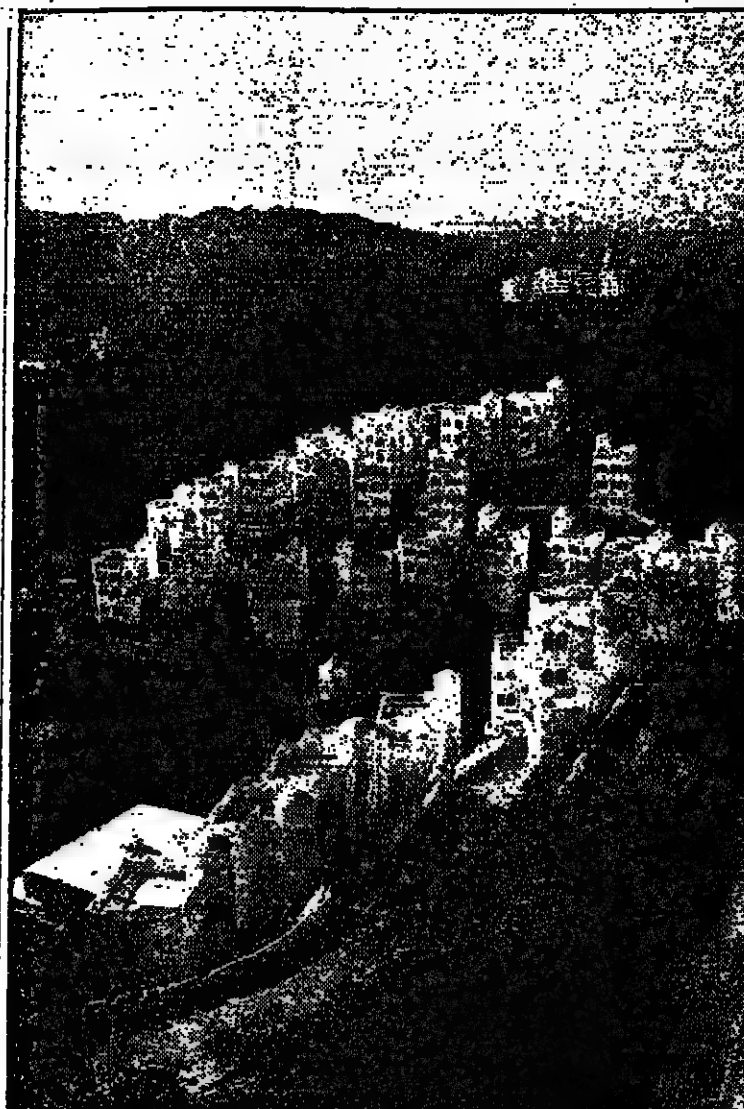
Unfortunately, crude exports in July were 10 million barrels lower than budgeted because of unexpectedly high domestic demand, and also because of a much more serious problem, inadequate facilities to cope with loading at ports.

Although there is considerable optimism about increasing exports in the near future, one of the major constraints is the lack of suitable oil terminals. It is hoped that these will be overcome in due course when an important ports construction and reconstruction programme is completed in about two years' time. The sum of \$1,400m is being spent by the Government alone on this project, together with another \$400m from the private sector. Apart from economic reasons such as overheating the domestic economy and possibly provoking inflation to exceed its forecast level of 30 per cent for this year, oil transportation could remain a problem.

According to some reports Japan has been able to receive only about 30 per cent of what Mexico has contracted to supply. Other important customers are the United States, Spain and Israel.

On the domestic front there are no such difficulties. The refining and petrochemical sector is one of the greatest areas of industrial expansion in the country. Refining capacity has risen by 31 per cent over the past three years and now stands at more than one million barrels a day, making Mexico the twelfth largest refining country in the world. Natural gas treatment plants now handle two million cu ft a day, and petrochemical development output is expected to reach 15 million tonnes by 1982. Pemex now operates the world's largest ammonia plant as well as some 70 other petrochemical plants.

Theoretically, Mexico's oil future seems assured but it will remain so only if underpinning deficiencies in the public services—port facilities, transport, pipelines, striping and pumping facilities—can be overcome and this is not taking into account the various political constraints which are bound to arise with a change of administration in 1982.



Heaven for the beautiful people

If there is a heaven for the beautiful people then it must be at Las Hadas on Mexico's idyllic Pacific coast. Its gleaming white spires and towers delicately balanced on the cliffs overlook a palm tree fringed bay near Manzanillo.

It was begun as a private hideaway by Señor Antonio Petino, the Bolivian king. Today it is a resort of tranquillity and quality for those rich enough to be out of touch with the reality of the world outside. It is a place where the beautiful people in chiffon and voile seemingly glide among the hibiscus and bougainvillea on their way to and from the beach or their flats.

Now run by Casolar, the tourist development

subsidiary of the Alfa group, Las Hadas is a collection of varying styles of architecture. There is Burgos with its 62 towers, Las Villas del Palmar with its golf course, and La Puerto near the marina which will have 200 units from studios up to two-bedroom suites with their own swimming pools. In all, the project, which at its present stage covers about 300 hectares, calls for an investment of about 1,000m pesos. Prices vary considerably according to style and taste but anything upwards of £100,000 would not be out of the way.

The Club Maeva, a kind of up-market tropical Butlin's which was run by Club Méditerranée, is near by. Unfortunately this

was not a great success and the new manager, Mr. Peter Weiskopf, formerly of the Acapulco Princess, one of the world's premier hotels, is now trying to put it right. It consists of some 400 tightly packed villas which are sold on a time-sharing basis. The club has an extensive range of sporting facilities. In contrast, some three hours' drive north from Manzanillo is a marvellous new tourist project at Costa de Careyes ("turtle beach"). There, a colonial-style hotel in crescent shape has been built among the trees on the edge of a small bay. High up on the cliffs near by some fine individualistic villas are being built. On one side is another Club Méditerranée at a discreet

distance, and on the other, a totally unspoiled beach which gave its name to the area. Not many years ago so many turtles used to come ashore to lay their eggs that it was possible to walk on their backs for the 2,000 metre length of the beach.

The main hotel was built in 1976 and plans include a marina, development with waterside villas in similar style to Port Grimaud in southern France. This is expected to cost about \$60m. Costa de Careyes is now virtually a small self-supporting town of some 1,500 persons, all working on the project which has its brickworks, water treatment plants, and a school.

The hotel has only 400 rooms, about 65 per cent of which have been regularly occupied. More than half the guests come from Mexico, with the rest from the United States, a growing number from Europe, especially West Germany and France.

For a peaceful kind of luxury and relaxation among the palms, where the average temperature is 82°F, and it rains on only 15 days a year, the hotel has much to offer the more discerning traveller to Mexico, who will be welcomed by a friendly and hospitable manager, something sadly missing in much of the country today.

Unions

Now the workers want 30 per cent more

After three years of Government-imposed wage-restraint, the Mexican unions are displaying an uncharacteristic militancy by demanding a 30 per cent minimum increase on wage levels.

Inflation has hit the Mexican worker very hard. The national consumer price index rose 43 per cent in January, 23 per cent in February and 21 per cent in March. A worker starting the year with a wage of 5,000 pesos (about \$265) a month, saw his buying power shrink to 4,700 pesos in January, to 4,636 pesos in February, and to 4,523 pesos in March—a loss of 1,035 pesos in three months. The 1980 increase of 21.5 per cent in minimum wages was expected to be reduced to 12 per cent by March and the deterioration has continued.

Calculations for the past three years indicate that workers getting the minimum wage or salaries living on a fixed income lost 12.2 per cent of that income to inflation in 1977, 9.3 per cent in 1978, and 11.8 per cent in 1979. Worse still, the 47.5 per cent of the available workforce that does not even get the minimum wage, has been tragically crushed by rising prices.

Paradoxically, as buying power fell, expectations rose with the onset of the oil boom and, while the official labour unions accepted strict wage controls, business profits soared.

The plant Mexican Labour Confederation (CTM), run by discontented through-out 1979. Then, on May 1 this year, as 1,200,000 workers marched in the big annual Labour Day celebration, union leaders hogged the stage with fearless declarations of future intent, couched in metaphors that would have been better left unvoiced.

Señor Fidel Velásquez, the CTM leader, warned the workers that "the revolution will finish the revolution". He called for a new labour law, dismissing the existing one as useless. Other union spokesmen slashed at the private sector and the multi-nationals. Threats flew.

President José López Portillo watched the big march and sat through the rhetoric in high good humour, while Señor Napoleón Gómez Sada, the miners' leader, gave a warning that labour could take unilateral action against the business sector unless something was done about inflation. Such action, Señor

Sada said, "could lead to social conflicts".

The President was unmoved when Señor Velásquez fulminated against government takeovers of state-owned enterprises, "which damage the right to strike", a right, asserted in the Mexican Constitution, but one frequently manipulated by Mexican governments.

However, Señor Velásquez, aged 80, recently elected to his eighth term as secretary-general of the CTM, openly admitted that the official labour movement is a part of the ruling Institutional Revolutionary Party (PRI) and at the service of the Government. His own part in maintaining that relationship has earned him the undying gratitude of the system.

The Government's traditional role is that of mediator. This saves direct confrontations that can be disastrous to the economy. The last time government and business locked horns in the regime of President Luis Echeverría, there was a flight of capital that brought on peso devaluation in 1976.

Some of labour's recent attacks seem to overstep the limits of the old alliance, unless the bounds of that alliance have been tacitly redrawn. This could be the case. The President himself has complained of late that the private sector has not kept its pledge to produce the necessary quantities of essential low-cost products for the masses, a pledge made under Señor López Portillo's alliance for production, which was supposed to unite all sectors in a common drive towards economic recovery and under which the unions accepted severe wage restraints.

The CTM now wants to organize co-operatives for union members and boycott companies whose prices are "abusive". It also wants to unionize everything, including the peasants, an incredibly difficult task to take seriously.

Unemployment is rife in the countryside. Most peasants farm small plots of land at subsistence level and are, in a modest way, landowners. They would hardly want to unionize themselves. The peasants' alliance with the Government should be seen in the light of what happens when farmers want an increase in the price of corn and beans. Then labour pre-sensitizes the Government to keep those prices down because corn and beans are what their members eat.

Señor Velásquez, who has always resisted the inclusion of the more democratic, independent unions in the labour congress, has had a change of mind on that score. He now wants a state body in, whether they support the PRI or not. "Unity and solidarity of all the workers" is his slogan.

There is a reason behind the recruitment drive. The official labour movement boasts that it has six million members, but outside observers would settle for four million at the most. Most Mexican workers are not unionized. The great power of the official unions is thus disproportionate to their numbers.

It is estimated that the unions represent 20.5 per cent of the population of working age and perhaps 40 per cent of the fully employed, about 47.5 per cent of the so-called economically active are underemployed and get less than the minimum wage. Another 8 per cent are unemployed.

Pushed by the vociferous, independent unions who criticize government and

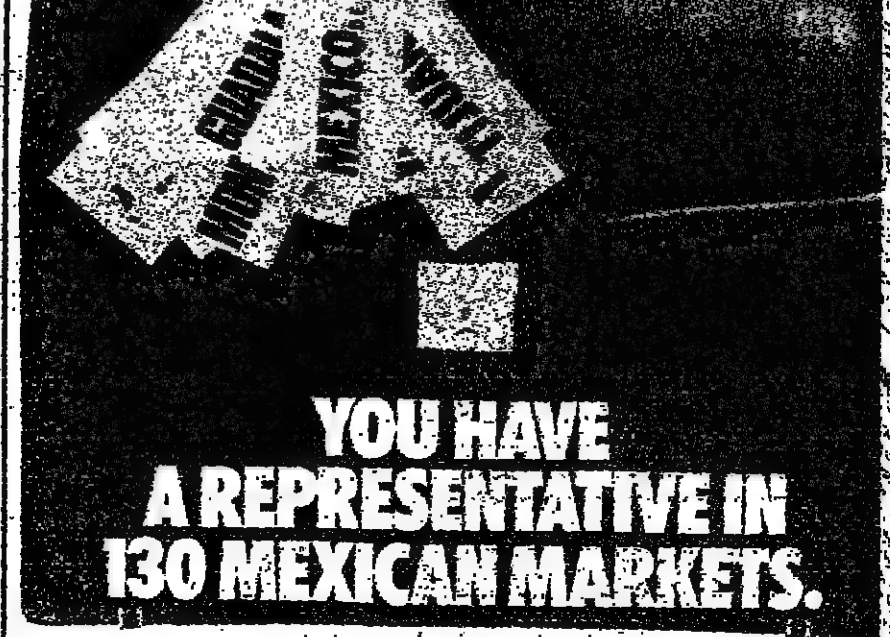
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However, some observers point out that new militancy coincides government policy of dressing the economic balance in favour of the private sector to meet its role under the alliance for production.

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Alan Robin



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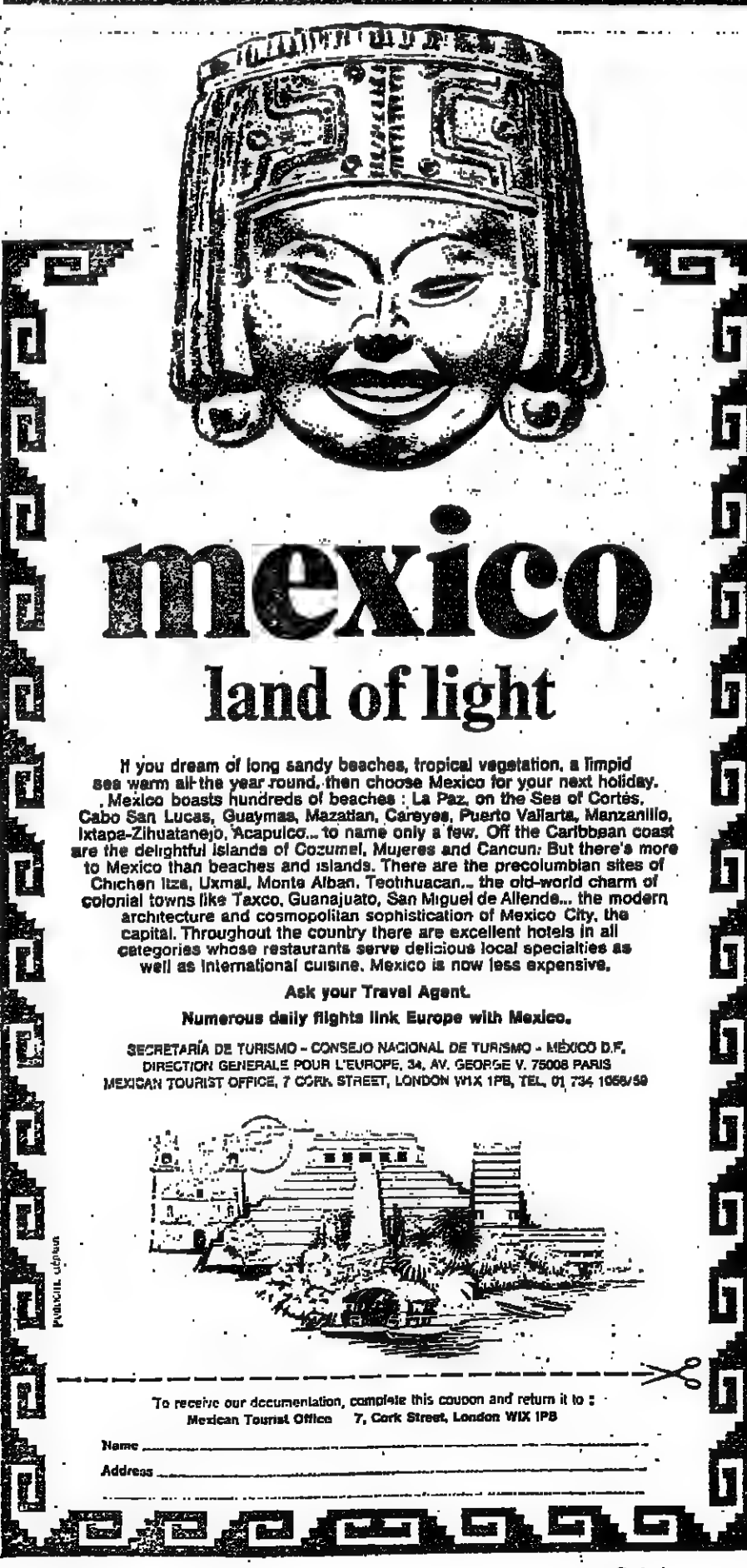
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Government would be ready to take advantage of the subsequent climb out of recession.

To practice, one of the unattractive set of options the Government has little choice but to adopt more realistic and less restrictive monetary targets. It would be to assert that, despite the past, it was recommending itself to a figure as low as 7.11 per cent for its target, the disbelief in its 'credibility' would be so widespread as to undermine it from the start.

Faced with the present difficulties, ministers directly concerned with economic policy are inclined to blame the 'banksters' and the Bank of England in particular for the failure to achieve previous policies. The experience of the period since June, 1979, however, has been that the supply of money in the economy cannot be contained at levels so far below the going rate of inflation, unless the Government is prepared to take actions that have been politically unacceptable in the past and would equally certainly be so in the future.

The two main components of the growth of money supply are borrowing by the Government and lending by the banks to the industrial sector. This Government has shown more determination than most to cut spending. It is unlikely to be, say, twice as effective in future, particularly in times of deepening recession. It is increasing the burden of social security payments.

Equally, less bank lending to industry in present circumstances would and could only mean a higher level of wasteful insolvencies. This cannot be what the Government wants as an end in itself. However, even monetary targets set closer to the likely rate of inflation would not involve the dramatic lowering of interest rates being demanded by British industry. But a dramatic fall in interest rates, accompanied by a similar move in the exchange rate, would not hold out the prospect of steady improvement in conditions in the years ahead. What is required is the prospect of gradual, but steady reduction in interest rates, rather than a downward rush that would have within it the danger of the process being reversed.

that the final word on conditions for release must be left to them, thus in effect still placing the hostages' fate in the hands of the hardline Islamic fundamentalists who dominate the Parliament."

Mr. Carter's difficulty is that while his chances of reelection would certainly rise dramatically if the Iranian crisis were resolved before the presidential election in November, he cannot afford to wait months in the matter of a trial, or over the question of American agreement for past sins. Mr. Muskie is therefore quite right when he says that it would be a mistake to raise expectations unduly. The Ayatollah's conditions, moreover, came at the end of a

the oppressed and deprived nations of the world", adding, unambiguously: "We are at war with America". Mr. Muskie was surely also right to suggest, as he did in a letter to the new Iranian Prime Minister, Mohamed Ali Rajai, a month ago, that in the circumstances, regular channels should be established between Washington and Tehran; "preferably discreetly".

Reservations and complications aside, the Ayatollah Khomeini's latest statement does after all offer an unexpected opening. The best way to capitalize on it would be discreet but hard-headed talking behind the scenes, with American electoral considerations well in the background.

having caused a lacuna, he deputed me, from the employers' side, to act as secretary, for both sides. I learnt a lesson from his magnanimity which inspired me in all my subsequent activities in this field.

His country always came first—the words, "when our Government is in power," are partism words that could not have fallen from his lips.

Differences of opinion there must be—but cannot we all dedicate ourselves to his memory in a spirit of tolerance, friendliness and good will? Then it could

truly be of monumental require,
 circumstance.
 I am, Sir,
 Your obedient servant,
 G. W. QUICK SMITH,
 6 Martello Towers,
 Ravine Road,
 Canford Cliffs,
 Poole.
 Dorset.
 September 12.

Of trivial import
From Miss C. Wilson
 Sir, Further to Mr. Prince-Whine's
 paper published today (September
 6) regarding unnecessary imports,
 may I offer the following: A
 slate pencil bought in Wales, made
 in Portugal.
 Yours faithfully,
 C. WILSON,
 21 Balcasse Close,
 Birmingham.

On whose service?
 From Dr George Campbell
 Sir, Today I received by post a long envelope, franked OHMS first-class mail. On opening it I found a circular from Littlewoods, explaining how I could win £50,000.
 I was about to destroy envelope and circular, when I noticed another enclosure—my telephone bill from the Post Office.
 By the same post I received another long envelope franked as before, OHMS first-class mail. This contained a brightly coloured circular explaining how I could, have a birthday by telephone, and other such delights as to how to tell the time, and (I seem to remember) how to cook by telephone.
 All this is so much nicer than my income tax demand OHMS.
 Yours, OHMS,
 GEORGE CAMPBELL,
 The Old Orchard,
 Martock, Somerset.

THE TIMES

BUSINESS NEWS

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Steel corporation to invest more than £1,000m over next four years

By Peter Hill
Industrial Editor

Capital expenditure totalling more than £1,000m over the next four years is being planned by the British Steel Corporation which reported a loss of £545m last year.

The BSC is drawing up detailed plans for the Government on how it proposes to eliminate its huge losses, and these indicate a steadily rising trend in capital spending in each of the years to 1983.

The estimates are contained in the latest investment forecast report published by the Process Plant Economic Development Committee. This is the first time that the steel state steel industry has been prepared to make any forecast of the likely level of its spending against the background of the enormous losses which it has recorded in the past few years.

Process plant companies have been warned that the estimates are uncertain, subject to revision and should be treated with caution. Nevertheless, they indicate a level of spending this year of £150m, rising next year to £220m, with a substantial jump in 1982 to £300m and rising again (in 1979 prices) to a peak of £385m in 1983.

These forecasts, made by the BSC to the process plant committee, are subject to revision after the three-month strike which halted all BSC production in the first three months of this year, and before publication of the process plant economic development committee's report.

Next year's small increase is accounted for almost entirely by a large increase in expected oil and gas spending, additional to that already sanctioned, the committee says. It expects a slight decline in 1982, when investment in oil and gas continues at a high level.

Esso recently confirmed that it was to go ahead with a £300m ethane-based ethylene cracker at Mossburn, Fife. The Government has called for an early start to a £1,200m pipeline system to gather gas from North Sea oil and gas fields and Occidental Petroleum plans to spend £5m on three developments.

British makers of process plant—such as pumps, boilers, offshore installations, tanks, valves and heat exchangers—would hope to pick up a large share of orders. However, it is not clear whether or when all will go ahead. Moreover, plant suppliers can expect foreign competition.

The forecasting committee emphasises that the figures should be treated with caution. In the oil and gas industries, the tendency has been to sanction additional spending. By contrast, the Central Electricity Generating Board may be forced to revise investment plans downwards.

last year's annual report in July.

In its White Paper on public expenditure plans earlier this year, the Government was unable to quantify the corporation's capital needs because at that time they had not been determined.

Because of the severe cash squeeze and rising losses, the corporation was forced to trim substantially its investment programme last year from a planned level of £325m to £220m, compared with a total capital expenditure the previous year of £318m.

Similar constraints will apply this year because of the continued deterioration of demand for steel against the background of recession and the requirement that Mr Ian MacGregor, the new chairman of the corporation, produces a realistic plan to pull the corporation back on course towards profitability.

The extent to which the somewhat tentative spending plans are carried through will be determined by the shape and size of the corporation and all the indications are that BSC's new chairman will be forced to make further cuts.

The BSC's investment programme over the next few years will not involve any big schemes, but will be designed to improve yield and quality of the steel produced, and particularly through the introduction of continuous casting facilities.

Elsewhere in Europe the dollar is generally strong, with rising European interest rates underpinning the American currency.

The easier trend in sterling did not help the gilt-edged market, but the major reason for further falls yesterday was the reaction to ministerial warnings that any reduction in minimum lending rate may have to wait.

By the end of the day losses ran to 50p at the long end of the market and there was growing doubt as to whether the £1,000m tranche of Exchange 1998 will attract much demand when it goes on offer tomorrow morning.

In the money markets, short-term interest rates remained firm. In part this reflected the general tightness in the market at the moment, but the situation appeared to be exacerbated yesterday as banks moved to adjust their books ahead of today's "make-up" for the end of the September banking month.

Opec may revive Third World talks

From Nicholas Hirst
Sept 16

A new initiative to relaunch talks between the industrialised countries of the west and the Third World, on an improved economic order is to be made by the Organisation of Petroleum Exporting Countries (Opec).

Finance, foreign and oil ministers of Opec members meeting here today agreed to press for a new dialogue within the framework of the global negotiations planned under the auspices of the United Nations for next year.

A formal declaration of Opec's plan for the talks is expected to be made at its summit meeting of heads of state fixed for early November in Baghdad and will form part of its long-term strategy for stabilising oil price rises and increasing aid to the Third World.

The new initiative could put the west on the spot. Plans for the global negotiations ran into trouble at the special session on international economic and financial questions in New York earlier this week.

Britain, the United States and

Germany dissented from the draft framework for the talks which had been agreed, although not without some reservations, by other members of the 150-country organization.

The objections were based on the anxieties of the three countries about the way in which the talks would have affected by the specialized organizations such as the International Monetary Fund and the World Bank where the west has voting majority.

Details of Opec's initiative may not emerge fully until Baghdad. Mr Hamid Zakeri, Opec's spokesman, said the organization wanted to operate within the framework of the Third World taking part in the dialogue. It was not interested in talks with the oil consuming countries alone.

But it is clear from what ministers have said that Opec sees the global negotiations as a forum in which energy questions may be discussed and this may be hard for the west to resist. If it does, it will not be Opec which loses international prestige.

Coupled with the call for a

new dialogue will be a statement on Opec's plans for increased aid to the Third World. Plans for a grandiose scheme to increase aid have run into difficulties here.

At the same time Iraq has proposed a scheme which would link aid to oil price increases while the west would be invited to contribute in line with the growth in the cost of its own manufactured exports to the third world.

Ministers now see these two schemes as complementary. Saudi Arabia, however, believes the bank to be too big and too complicated a move to make now and it looks likely to go on, perhaps with a slightly enlarged fund, while other plans involving the consumer countries continue to be discussed.

In its discussions on setting up a new dialogue with oil consuming countries, Opec delegates have considered three plans. These are: to attempt a new North/South dialogue of the type held in Paris at the Conference of International Economic Co-operation (CIEC) which by the Third World at least was considered a failure, to set up a number of small groups for discussion, or to go through the United Nations. The last idea was chosen but Opec wants a framework for talks in which topics and countries may be split into manageable discussions.

Its ideas mesh nicely with the plans for the global negotiations now running into difficulties. These plans are not markedly different from the Paris discussions and despite the impetus given to new world wide talks by the report of the Brandt Commission earlier this year, western diplomats and economists have strong doubts that a new round will be any the more successful than the last.

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Low Soviet growth for next five years likely

The Soviet Union's master economic plan for the next five years, which is now in the final stages of drafting, is going to mean one of the lowest rates of industrial growth in Russian history, sources predict.

The plan is likely to put heavy pressure on farmers and the nation's energy industry to reach high production targets in 1981-85.

The five-year plan, the main points of which will probably be published for discussion by the end of this year, will be the guide for the Soviet economy into the mid-1980s and will help to set the nation's economic pace for another decade beyond that.

Some figures already officially announced say the plan will call for grain crops in each of the next five years to surpass the record harvest made in 1978.

The plan for industrial growth is expected to be far more realistic and in line with actual results which have been achieved in recent years.

Soviet and western specialists expect the plan to devote considerable attention to energy, including huge new resources to increase oil production in the hostile climate of western Siberia.

The plan is expected to encourage additional atomic power as well.

The United States Central Intelligence Agency has claimed that Soviet oil production will peak in the early 1980s and then begin to decline.

Many Soviet specialists assert that production can be raised government is prepared to pay the huge costs which will be involved for labour and technology.

According to Soviet and diplomatic analysts, the five-year plan is likely to call for an industrial growth rate of about 3.5 per cent to 4.5 per cent a year.

In the current five-year plan, running from 1976-80, growth has averaged about 4.7 per cent according to Soviet statistics, compared with the target figure of 6.3 per cent. Last year's growth was only 3.4 per cent.

At the start of the 1960s, growth rates were more than 8 per cent a year. Some Soviet analysts say industrial growth is slowing because the economy now produces the basic quantities of goods it needs even if the quality is not always satisfactory.

Current steel production of about 150 million metric tons a year, for instance, is judged sufficient for Soviet requirements.

Western specialists, however, also attribute the slowdown to a labour shortage and lagging technology.

They note that light industry, which produces most consumer goods, is still underdeveloped compared with heavy industry, traditionally the favoured sector.

Oil production is roughly on target towards the target figure of 606 million metric tons, about 12.1 million barrels a day, in 1980.

The oil production target for 1981-85 is not yet known, but some observers believe output could level off late in the decade at 630 million to 660 million tons, 12.6 million to 13.2 million barrels a day higher, as oil is increasingly replaced by other fuels.

Atomic power is expected to account for more than 10 per cent of the Soviet Union's electricity needs by the early 1980s.—A.P.—Dow Jones.

Dock strike fears prop up sterling

Sterling fell by 1 cent in trading yesterday to close at \$2.3202 and the effective change rate fell 0.1 percentage points to close at 75.5. The pound's fortunes recovered after a bad start in which it fell to just above \$2.30.

The prospect of a national dock strike was seen by some dealers as the reason for sterling's recovery during the afternoon. The uncertainty which the dock strike is causing may persuade the government to postpone any cut in interest rates from their present level.

Elsewhere in Europe the dollar is generally strong, with rising European interest rates underpinning the American currency.

The easier trend in sterling did not help the gilt-edged market, but the major reason for further falls yesterday was the reaction to ministerial warnings that any reduction in minimum lending rate may have to wait.

By the end of the day losses ran to 50p at the long end of the market and there was growing doubt as to whether the £1,000m tranche of Exchange 1998 will attract much demand when it goes on offer tomorrow morning.

In the money markets, short-term interest rates remained firm. In part this reflected the general tightness in the market at the moment, but the situation appeared to be exacerbated yesterday as banks moved to adjust their books ahead of today's "make-up" for the end of the September banking month.

Financial Editor, page 17

American industrial production shows first gain for six months

From Frank Vogel
Washington, Sept 16

American industrial production in August marked the first monthly gain since February. Today's statistics lead support to Carter Administration beliefs that the United States recession has ended.

Further evidence of economic recovery is the mounting loan demand at the nation's banks, which is adding upward pressure to short-term interest rates. The rate pressure is being reinforced by expectations of further inflation as the recovery develops, and by the possibility of some tightening of monetary policy by the Federal Reserve Board.

On Wall Street today there was widespread speculation of a further price rise in the near future—possibly as soon as Friday. Last Friday the nation's largest banks raised their prime commercial lending rate to 12½ per cent from 12 per cent.

The industrial production last month increased by 0.5 per cent, after a 1.1 per cent fall in July. The August increase was the strongest monthly advance since last year and the nation's industrial production index is now 7.6 per cent below its level a year ago.

Dr Courtney Slater, the Commerce Department's chief economist, predicted a few days ago that the current quarter would see a slight rise in real gross national product, after a decline in the second quarter and that some of the proposals to postpone any announcements on new wage and price guidelines under its voluntary wages and prices policy until January.

The result, he said, was that the President's plan would add \$7,300m to the Budget, taking the total deficit for fiscal 1981 to a projected \$36,000m.

The White House, in another pre-election move, has decided to postpone any announcements on new wage and price guidelines under its voluntary wages and prices policy until January.

"I think we have been quick to react. We were one of the first to take action to go on a three-day week and make people redundant. It was quite a big thing because not many were doing it," Mr Dickman said.

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Sir Ian Morrow: resisting attempts to prolong negotiations.

Laird trying to speed arbitration moves

By Catherine Gunn

The Laird Group will try to speed up its efforts to take the Government to arbitration over compensation for the group's shipbuilding interests, nationalised in 1977, at a tribunal in London today.

Sir Ian Morrow, Laird's chairman, will be resisting an application from the Department of Industry for an extension to the preliminary part of the negotiations. Mr John Gardner, Laird's chief executive, is becoming increasingly anxious to reach a settlement.

Laird decided to take the Government to arbitration after years of wrangling over the valuation of the shipbuilding assets.

After taking the Government to the brink of arbitration over compensation for Scottish Aviation, Laird agreed to a £375m settlement, before interest due on the total. This has been paid in part. But Laird has only had £400,000 on account for the shipbuilding interests, which are in its books at £1.5m.

So far proceedings are only at the "pleadings" stage, where both sides exchange summaries of their arguments. The department wants more time to consider Laird's brief document, but Laird sees this as a delaying tactic.

Interest on the compensation will only be paid at 10 per cent. But the Department of Industry will have to meet both parties' costs. Laird maintains that lengthy delays are unlikely to lead to any public saving.

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Net dividends per share	4.3p	4.0p
Net assets per share	£1.49	£1.26

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Although the year has started reasonably satisfactorily the Group is facing an uncertain level of trading activity in the year ahead. We are well diversified in products and continue to have a healthy financial position, but because of the depressed state of the economy we view the outlook with great caution.

Derek Harris

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Res	30p to 545p
Fson	11p to 206p

Disco	11p to 6p
	42p to 247p
	5p to 52p
Ude	4p to 24p
Cos	12p to 775p

THE POUND

Bank	2.02	Bank	2.02
Buy	2.02	Sell	2.02
Sw	31.40	Norway Kr	11.40
Fr	71.25	Portugal Esc	123.50
It	13.85	South Africa Rd	2.20
Grk	9.02	Spain Pta	177.50
	10.18	Sweden Kr	10.25
Dm	4.41	Switzerland Fr	4.25
	10.50	USA \$	2.44
	12.10	Yugoslavia Dnr	74.25
	1.16		
	2095.00		
	531.00		
Is Gld	4.79		

British Home Stores joins sales war with promise of no rises

Price freezes in store for high street shoppers

British Home Stores, third in the chain store league to F. W. Woolworth and Marks & Spencer, yesterday announced a price-freeze guarantee for the rest of the year on its non-food merchandise which is 75 per cent of its turnover.

It was another twist in the promotional war up and down high streets where it is now perpetual sales time, complete with special offers and other promotional campaigns.

Reports in the trade, as well as this week's official retail statistics for August, indicate that the sales efforts are increasing sales volumes while profit margins are being squeezed.

Mr Roy Burgess, managing director of British Home Stores, admitted that, like most

retailers, BHS saw at the beginning of September the introduction of a new season's ranges which run through to Christmas, so price levels are set to an extent. But he added: "One can see that between now and Christmas a number of prices could rise and what we are doing is to give customers a cast iron assurance."

He has given a warning to his suppliers that if fresh price increases were too high orders could be lost but he does not expect to have a turn of imports as a result. BHS merchandise is 70 per cent British with up to 5 per cent price differential accepted because of other factors like nearness of supply.

Mr Burgess said that "in today's conditions it does not

seem likely that many manufacturers will be demanding large price increases."

In addition to its price freeze, BHS will continue with its series of cut price campaigns which take between 10 per cent and 20 per cent off going prices for a limited period, usually a month.

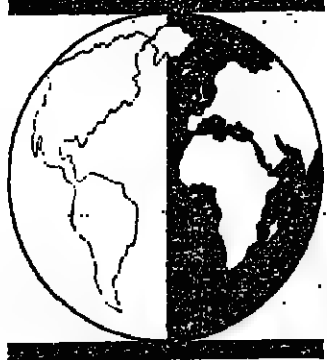
Replics from BHS's competitors came quickly. Marks & Spencer said that "by and large" their prices would match the competition with price increases which were little more than they were this time last year. Some food prices would be cut by up to 15 per cent.

Another chain which has been running a campaign of selective price cutting is Littlewoods which claims that since it started the campaign at the begin-

ning of June it has passed on savings to customers worth around £10m. Some price cuts apply also to food and it is planned to continue the campaign as the price war continues in the high street.

Littlewoods' turnover in chain stores last year was £380m. Woolworth said in the present retail environment it would be more a question of matching undercutting of prices by competitors.

Woolworth's sales have improved in the past three weeks, especially in self-service, furniture, television sets, audio units and smaller electrical appliances.



Oil imports will cause 'record deficits'

Oil-importing nations are heading for record balance-of-payments deficits this year and must use investment to reshape their economies, the General Agreement on Tariffs and Trade (GATT) said in Geneva.

Developing countries which export oil may have a record current account surplus of \$115,000m (£47,970m) at the end of 1980, according to rough preliminary estimates in GATT's annual study on international trade prospects.

Third world countries which import oil and the non-communist industrialized nations may have record payments deficits of \$62,000m (£25,365m) and \$60,000m (£25,031m) respectively.

Swedish savings plan

The Swedish Government has announced plans for a 6,300m kronor (£640.8m) savings package to trim private and public expenditure during the next fiscal year and to reduce the country's rising budget deficit.

US car sales down

Sluggish domestic car sales in the United States during September reflect continued economic weakness, according to trade experts in Detroit. Sales for the first 10 days of September fell 21.3 per cent on a daily basis to 136,428 from 151,775 last year.

Peking coal plan

Peking has proposed ventures to develop Chinese coal deposits to increase coal supplies to Japan by 10 million tonnes a year after 1990, Mr Toshiwo Doko, leader of a Japanese economic mission to China, said in Tokyo.

Italy's record deficit

Italy's trade deficit widened to a record 1,767,000m lire (£874.7m) in July from a deficit of 386,000m lire (£191.1m) in the same month last year, according to the official Statistics Institute in Rome.

Revised statistics estimate unrecorded dealings at nearest 2pc

Not so much of the 'hidden economy'

Britain's "hidden economy"—those dealings and activities not recorded in national income—appears to be smaller than was thought at first. According to the Central Statistical Office the minimum size of the hidden economy (sometimes termed the "black" or "unlight" economy) is nearer 2 per cent than the 3.5 per cent the government statisticians estimated when they first looked at the subject last year.

This is revealed in the annual *Blue Book*, more formally known as *National Income and Expenditure*, 1980 edition, which gives the definitive statistical profile of the economy during the previous year.

The best guide to the hidden economy is the difference between income and expenditure of the gross domestic product. However, the previous gap has been reduced, partly as a result of a large upward revision in estimates of corporate profits.

The element of missing income, attributed to tax-evaded income or income-in-kind is thus reduced. However, there still appears to be little doubt that the hidden economy has grown since the mid-1970s.

The *Blue Book* shows that total personal income (income from employment and self-employment, investment incomes and government grants) increased by 17 per cent before tax between 1978 and 1979.

As a result of the cuts in personal taxation during 1979, personal disposable income rose by 18 per cent. Savings in 1979 with 14 per cent of disposable income, about 2 per cent higher than the average of the previous three years.

After allowing for inflation, real disposable income is now shown to have

increased by 6 per cent, after an even larger increase of 8 per cent—recorded in the previous year.

This is only the second time since the Second World War that there has been a rise of 14 per cent or more in two consecutive years. The previous occasion was between 1971 and 1973.

Percentage shares of value-added in GDP	1969	1975	1979
Industry	2.9	2.6	2.2
Agriculture	—	—	—
Petroleum and natural gas	—	—	3.0
Other mining and quarrying	1.5	1.6	1.6
Manufacturing	31.8	27.6	26.3
Construction	6.6	6.9	5.9
Gas, electricity and water, transport and communications	11.6	11.3	10.7
Distributive trades	10.2	10.2	9.9
Insurance, banking and finance	6.6	7.3	8.6
Ownership of dwellings	5.0	5.7	5.7
Public administration and defence, public health services and local authority educational services	11.5	15.0	13.2
Other services	12.3	11.8	12.9
Before adjusting for financial services			

The *Blue Book* breaks down the contribution made by different industrial sectors to the nation's total gross domestic product. The most notable change that took place in 1979 was the contribution made by North Sea oil and gas which accounted for 3 per cent of total output in 1979.

The largest fall was recorded by the public sector, including administration, health and educational services provided by the General Government. The contribution of this sector to total output was 13.2 per cent in 1979 compared with 15 per cent in 1975.

Over 10 years the lengthy decline of manufacturing industry in Britain and the steady rise of insurance, banking and finance industries is clearly discernible. The contribution of manufacturing to total output was 26.3 per cent in 1979, compared with 31.8 per cent a decade earlier.

By contrast, the contribution of insurance, banking and finance services has grown over the same period from 6.6 per cent to 8.6 per cent.

In spite of the sharp rise in personal incomes, the total output of goods and services in Britain last year rose by only 11 per cent in real terms. Without North Sea oil and gas the growth in 1979 would have been only 3 per cent.

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Melvyn Westlake

Call to end building prices policy

By John Huxley

Building contractors are pressing the Government to abandon its policy of asking them to quote firm prices for contracts lasting up to 12 months.

They say the policy poses particular problems for builders working on public sector contracts and merely helps to perpetuate a rate of inflation.

The principle was counter-productive because it required contractors to predict the rate of inflation and allow for it in their tender prices, Mr Morrison Dunbar, president of the National Federation of Building Trades Employers, said in Newcastle yesterday.

"Moreover, the federation believes the practice of firm price tendering is inequitable because an increasing number of local authorities require anything up to three months from the date a tender is submitted to acceptance," he added.

"A contractor has, in effect, to predict a firm price for up to 15 months. Quite apart from materials price increases, this can involve taking two annual wage negotiating rounds into account."

Bowater-Scott reveals £70m mill proposals

By Edward Townsend

Bowater-Scott, which claims to be Britain's largest producer of domestic and industrial paper tissues, has announced proposals for a £70m mill at Grimsby which could create 250 jobs.

The company, which already operates seven tissue paper machines in the United Kingdom, has been granted a 15-month option to buy a 40-acre site on the outskirts of the town.

A spokesman said yesterday that the company would be making a careful study of the market in the coming months before going ahead with the development.

News of the proposed expansion will come as a boost to the country's severely depressed paper and board-making industry. The British Paper and Board Industry Federation said it was "very welcome and encouraging".

Troically, Bowater-Scott's proposal follows the decision by Bowater UK to close its newspaper mill at Ellesmere Port on Merseyside. The mill is the largest of its type in the country and closure will mean the loss of 1,600 jobs.

The closure, due in November, will bring the total number

of jobs lost in the paper industry in the past 20 months to 7,600 with 14 mills and 48 machines closed.

Bowater-Scott, which is jointly owned by the Bowater Corporation and the Scott Paper Company of Philadelphia, has been searching for some time for a site on which to expand tissue production.

A final decision, however, has yet to be made. The spokesman added: "We don't want to create expectations in Grimsby that we cannot ultimately fulfil."

Tissues, unlike newspaper and other paper products, have experienced relatively buoyant sales during the current recession.

Bowater-Scott, whose brand leader Andrex has 29 per cent of the domestic toilet tissue market, claims 40 per cent of the total United Kingdom domestic disposable tissue market and 25 per cent of the industrial sector. Last year, the company achieved record sales and earnings.

Meanwhile, officials of the federation and the Society of Graphical and Allied Trades (SGAT) are still hoping for a meeting with the Prime Minister to discuss the plight of Britain's newspaper industry.

Labour may try to nationalize GEC

By Kenneth Owen

Nationalization of the General Electric Company, Britain's largest electronics and electrical company, may form part of a restructuring of the micro-electronics industry under a future Labour Government, according to a Labour Party discussion paper published yesterday.

The paper said that in microelectronics GEC has played an "important role" in the development of the industry. It also said that the company's research and development efforts have been "very successful".

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LETTERS TO THE EDITOR

Estimating the number of jobs lost through redundancy

From Mr R. H. Fryer

Sir, The Parliamentary Under-Secretary of State for Employment is quite right to point out that the number of jobs lost through redundancy is not the same as the number of jobs lost through redundancy.

By contrast, the contribution of insurance, banking and finance services has grown over the same period from 6.6 per cent to 8.6 per cent.

In spite of the sharp rise in personal incomes, the total output of goods and services in Britain last year rose by only 11 per cent in real terms. Without North Sea oil and gas the growth in 1979 would have been only 3 per cent.

The share of company profits (measured after deducting stock appreciation) in gross domestic product fell slightly in 1979, after rising steadily over the previous three years. This fall took place despite the large increase in the company profits of the North Sea oil and gas industries.

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Melvyn Westlake

payments in the Department of Employment. Certain sections of the workforce are more likely to be affected by redundancy than others.

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Giving a fair account of the public services

From Mr C. P. Morton

Sir, I have always been opposed to nationalization and try to earn a living by rectifying inefficiencies. While much of the current criticism of nationalized industries is doubtless true, I believe in presenting a balanced picture. It should also be remembered that many industries were in a perilous state when the taxpayer rescued them. Generalizations such as Mr Brauner's (September 11)—can be very misleading, as illustrated by the following examples.

We recently had a problem with a domestic appliance, which was repaired by the electricity board. The service was speedier after explaining the urgency than that offered by all private contractors I contacted. (The highest estimate was 61 per cent greater than the board's final account, which clearly covered the true costs.) There is however a sting in

the tail. The fitter was courteous, competent and worked hard. However, one operation taking over one-third of the total time—and doubtless more under adverse conditions—could have been reduced by nearly 70 per cent. If only a low-cost piece of equipment had been used, as this type of repair is carried out very frequently, I estimate that the capital expenditure would be recovered in a matter of weeks.

The Prime Minister and his colleagues rightly expect us to greater productivity. She also believes in de-nationalization wherever possible. In this instance, however, while there is scope for improvement in the public sector, it leads private industry, which is not bound by the same rules, to a more competitive position.

Yours faithfully, C. P. MORTON, C. P. Morton & Associates, 142 Arden Road, Harlow, Essex CM20 3LZ, September 12.

Taxation allowance for married couples

From Mr C. J. Saville Glanville

Sir, I entirely agree that the present system of giving tax allowances to married couples is unfair. On the one hand, it is unfair that an allowance is given to married couples during the last year of their marriage, while on the other hand, it is equally unfair that a married man should receive an allowance for a wife who supports herself.

The remedy seems obvious: abolish the married man's allowance and the joint taxation of spouses; tax each spouse as a single person but

allow any unexpended part of either spouse's allowances and exemptions to ensure the benefit of the other. Surely, this must be a very desirable proposal, especially from the point of view of the Married Man's Defence Union (if that desirable body does, in fact, exist). This too would get rid of the present incentive for the doubly well-paid couple to live in separate households.

Yours faithfully, C. J. SAVILLE GLANVILLE, 5th Floor, Pearl Assurance House, 4 Temple Row, Birmingham B2 5BE, August 22.

Architectural heritage

From Mr William Thomas

Sir, With reference to "Jean Scott's letter" (September 10) about the preservation of industrial buildings, most people agree that it is wrong to keep practically everything. However, the majority of people are probably in favour of the very best examples of buildings being retained. Aesthetic and artistic judgment are used in the debate on what to keep and what to let go.

In the case of the Firestone factory it is perhaps reasonable to allow its replacement, but with the Hoover factory there seem strong arguments in favour of its preservation, together with the surrounding lawn that set it off so well.

The Government might consider the problem of offering compensation in the rare cases of preservation orders being enforced so that the country retains its historical heritage. Such compensation might also help discourage any deliberate design of ugly factory buildings, though even the most odd looking architecture today might be highly thought of in years to come.

Yours faithfully, WILLIAM THOMAS, 86 Eaton Place, London SW1, September 11.

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Similarly, work done by W. W. Daniel in 1974 that 43 per cent of workers who were laid off in 1974 were receiving no financial help at all. On top of many jobs disappearing through redundancy is the loss of the non-financial benefits when employees retire, or reach the short-term contracts in rights to redundancy pay have been waived. Mr L. right: less of redundancy must mean the end of the world. Yours faithfully, R. H. FRYER, Senior Lecturer, Department of Sociology, University of Warwick, Coventry CV4 7AL, September 11.

By contrast, the contribution of insurance, banking and finance services has grown over the same period from 6.6 per cent to 8.6 per cent.

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Melvyn Westlake

Bilingual cabin crews

From Professor J. T. C.

Sir, Mr E. W. P. Evans' article on "Linguistic cabin crew" (September 11) is very inadequate. No aircraft cabin staff to be bilingual, but it is surely not to expect that "pooled" services with airlines, that would be a cabin staff, capable of the language of the other. This has been my experience on all other airlines I have travelled, and it is a position of anomaly. It is not to be simply as British brought home to me clearly on a recent Budapest.

I travelled there on the Hungarian national airline, and all announcements made in Hungarian and all cabin staff spoke both languages. On my journey, was in British Airways, and all announcements were made in English, though a large proportion of the passengers were Hungarian. I was not surprised to find that the cabin staff were bilingual.

Other airlines get a difficulty in recruiting staff from the other, the very least there is no recorded announcement in English, welcoming passengers, giving safety instructions, and indicating what is the cabin crew. I am sure, announcements approach-run and-bee sengers leave the aircraft. Yours faithfully, J. T. COPPOCK, Department of Geography, University of Edinburgh, High School Yards, Edinburgh EH1 1NR, September 9.

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BY THE FINANCIAL EDITOR

Cross currents in the gilt market

Authorities had been hoping to get a count of their new £1,000m stock away on application tomorrow, but it has not been pleased by the dampening words on interest rates from Sir Keith Joseph and Mr. Fen, Chief Secretary at the Treasury, may yet perk up a bit before final investors come to make their bid, but the minimum tender price for the 1986 stock was almost a gher last night than that on the stock, net of accrued interest, a perennial in spite of the partly paid issue.

It may not worry the authorities if it is relatively little of the new stock up tomorrow. It is, after all, only the day of the October banking month is on their side. It might even be that money markets, which were extremely tight yesterday (partly because of the fact that today is the September day), could do without any rain just at present.

Nevertheless, it would be better if some is tied up sooner rather than later, that the authorities still have the d to play at some stage, and others mably, but there are cross-currents in the gilt market at present, and until becomes clearer, just what the authorities are prepared to play the d, the cautious play will be content their cash on the street.

Savoy shares and the proposed sale of the Godfrey Davis car rental business, have proved highly profitable.

The assets RIT has retained have been financial businesses. These now include Anglo-Leasing, the Dawday Day group which includes Target unit trusts and life insurance and the London & New York company to be renamed J. Rothschild Investment—for the overseas operations. RIT's stake in these vary but it certainly has effective control.

The more interesting question now is the cash that has been accumulating. Excluding liabilities this could amount to close on £60m and while not all can necessarily be used for acquisition—because of maturing loans and security deposits with banks—most probably can.

If it is now thought that RIT will spread to the United States possibly with the aid of Mr. Saul Steinberg's Reliance Group which owns 20 per cent of RIT.

At 300—against an asset value of 450p—RIT shares are obviously not expensive, though there have to be a couple of caveats. Those who bought to the NM Rothschild stake in RIT at around 300p a share last month already have a handsome profit which they may now think about realising, and second, some shareholders may not want any part of a company involved in a public dispute.

Willis Faber

Conflicting factors

Interim profits are up 19 per cent at £11.9m at Willis Faber, so confounding stock market forecasts of below £9m. It provided a significant chip to the lack-lustre insurance broking sector which is still brooding on a near 10 per cent shortfall reported last week by Sedgwick.

Shares in Willis led the way with an 18p rise to 251p, but others, including Sedgwick, added several pence on the view that the downturn signalled better times.

Unfortunately, this does not seem justified. Conditions in world markets are still difficult. Willis reckons second-half results will be little changed from the depressed levels of last year—while the continuing strength of sterling puts relentless pressure on groups which earn premiums overseas and incur expenses at home.

Willis, which seems as mystified as the market over the relative first-half outcome—which for sterling would have been £1m better—concedes that it has seen a faint hardening of rates in its important marine and aviation books.

However, real benefits seem to have come from organic growth in income due in part perhaps to gains from the recent turmoil in transatlantic links and improvements in group communications following the installation of new computer systems. At the same time the claims pattern seems to have worked in the group's favour to boost investment income perhaps by more than a quarter to over £4.5m. High interest rates partially helped this business.

Meanwhile a gain of almost a third from associates to £2.4m seems to point to a good result at Morgan Grenfell, the merchant bank in which Willis has a 22 per cent stake although improvements in overseas broking operations have contributed as well.

At the same time investment income has sharply boosted the Sovereign Insurance Company contribution, while the underwriting agencies have contributed more than £800,000, possibly reflecting the last truly good year at Lloyd's for some time and of course there is the longer-term doubt after Fisher's proposal for disinvestment.

For the full year Willis is indicating profits of over 19m, although a 10 per cent move in sterling's value could tip the result by as much as £500,000 either way.

This suggests a p/e ratio of just under 11 fully-taxed while the prospective yield is 6.4 per cent assuming the 8.5 per cent interim increase is carried through to the final, not much of a premium over the sector for one of its soundest components in fact. But then the whole sector may have to face up to pretty grim figures from some of Willis's less fortunate rivals over the next few weeks.

Mrs Thatcher goes into her fortnightly economic talks with the TUC with one strong hand and one that is weak on the critical issue of pay. Her strong hand is the virtual collapse of wage militancy in the private sector; her weak one, the evident determination of public sector unions to keep pay rises roughly in line with inflation.

This year there has been no clear-cut division between the last wage round and the new winter negotiating season. Local government white collar staff are still locked in arbitration on a 13 per cent offer that is a hangover from July 1, while local authority employers are already preparing the ground for a single figure settlement for the low paid town hall manual workers in six weeks' time.

The spread of settlements in the public sector now covers practically the whole year and this "bridge" between the big spending year of 1979-80 and the next round of wage deals will make it all the more difficult psychologically for Ministers to argue for a clean break with past inflationary expectations.

In the energy and energy-related industries, in particular, it will be almost impossible to push through the Cabinet's tough line bringing past settlements substantially lower than the 16 per cent rate of inflation. With the election process for the miners' presidency already on the move, neither the left nor the right in the National Union of Mineworkers can afford politically to be seen to be soft on pay.

And, where the miners go, the power station workers and the railwaymen usually follow. Coercive settlements here need not, of course, be reflected right across the public sector, though the water workers seem to have caught on to the benefits of linking themselves with the other public utility workers. Service workers face an agonising choice between jobs and pay rises, and local government leaders privately fear a rash of New York-style municipal bankruptcies in British town halls if the Government further tightens the rein on spending in this area.

In the Civil Service, preparations for a possible wage confrontation are already well advanced. A central planning committee on industrial action, which brings together seven unions, meets for the first time this week. Having negotiated 18 per cent settlements last time round, the Civil Service unions could go into battle this winter if the Government refuses to implement the findings of the Pay Research Unit testimony to the troubles of the Civil Service and comparable rates in private industry.

The prospects for the public sector cannot, however, be viewed in isolation from what is happening in the private sector, where the flight from wage militancy has astonished even the employers. Mr. Michael Valler, chairman of the Confederation of British Industry, Yorkshire region, said at the weekend that companies were originally looking for settlements of the order of 10 per cent.

But that expectation is falling rapidly, he said. "The wide-spread range of people now seem to be contemplating pay increases somewhere in the 5 to 8 per cent area." Union leaders in Yorkshire were "punch drunk" with redundancies and closures in recent months and no employer expected a major strike over pay.

Our main fear is about pay settlements under the Government's control.

These regional findings are borne out at national level. Lucas accepted 10 per cent some weeks ago. TUC car workers have now agreed to 15 per cent spread over 18 months and the men at Vauxhall voted in a secret ballot to take 8 per cent. These deals bear eloquent testimony to the troubles of the motor industry.

Unemployment and short-time working have also cast a long shadow over negotiations in the engineering industry. With the unions and the Engineering Employers' Federation vying to produce a higher figure for redundancies over the last year, a 6.2 per cent offer on basic rates looks suspiciously close to a settlement figure.

Mr. Terry Duffy, the engineering workers' president, is at present seeking reelection against his old left-wing rival Mr. Ben Wright. But he is resting on the laurels of the 1979 struggle to reduce the industry's working week rather than going in for a confrontation now.

In traditionally low paid industries, where moderate settlements have not saved jobs, a note of despair informs this

Pay claims: how big an obstacle for Mrs Thatcher?

Group	Number	Operative date	State of negotiations
Post Office engineers	150,000	July 1	20% settlement plus productivity
Industrial civil servants	160,000	July 1	16.5% settlement
Talbot car workers	20,000	July 1	15% settlement over 18 months
Lucas	20,000	July 1	10% settlement
Local govt staff	540,000	July 1	13% rejected; dispute at arbitration
Vauxhall car workers	23,000	Sept 15	8% accepted
Clothing workers	183,000	Sept 22 onwards	Offer of 7% from Jan 1 rejected
Ford car workers	55,000	Oct 21	"Substantial claim" believed to be 20%
Engineering workers	2,000,000	Nov 1	Offer of 6.2%, talks resume Oct 15
SL cars	90,000	Nov 1	Stewards talking of 20% claim
Local govt manuals	1,000,000	Nov 1	"Substantial claim" being drawn up; single figure offer expected
Tanker drivers	10,000	Nov, various	"Substantial" package claim exceeding 20%
Firemen	33,000	Nov 1	Automatic uprating to stay in top quartile of manual wages
Water manuals	33,000	Dec 1	No claim yet
Lorry drivers	180,000	Dec, various	"Substantial"; like tanker drivers
NHS ancillaries	283,000	Jan 1, 1981	Follow on local govt manuals
British steel production workers	70,000	Jan 1	No claim yet
Mneworkers	225,000	Jan 1	£200 a week minimum in 35% package claim; talks open Oct 23

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round of negotiations. Clothing manufacturers for instance, have offered 7 per cent to about 130,000 workers from January 1. But, because most agreements expire long before that

Mr. Brian Rusbridge, chief negotiator for the local government employers, has a hollow victory to gain high wages that the miners began their strikes in the late sixties. A similarly despondent logic lay behind this year's steel strikes.

So not all strikes are based on a nice calculation of profit and loss by seasoned militants. And, having abolished the Clegg Comparability Commission on the grounds that it was an engine of wage inflation, ministers have no obvious safety valve to allow pressure in the pay system to escape. If employers have enthusiastic recourse to the considerable armoury available under the Employment Act, further pressure will build up.

While the remorseless toll of redundancies in the private sector has prompted a real fear of strike-induced unemployment for "a new sense of realism" in the eyes of some ministers, there seems as yet no great loss of nerve among the peace-loving members of the public sector. The Cabinet's problem will be to isolate the "stand-and-deliver" operators from the general run of settlements.

There is already informed speculation about special cases. How tight can they hold the net?

Paul Routledge

Frank Vogl

Accelerating pace of America's trade with China

Washington

Almost every day brings a new significant development in trade between the United States and China. The pace of change is dramatic and from the Soviet viewpoint, no doubt alarming.

At the weekend, a large Chinese trade exhibition opened in San Francisco. This is the first such trade fair in the United States and it will go on later in the year to Chicago and New York.

This week sees the first meeting in Washington of a high level United States-China economic commission which will discuss all aspects of trade policy. A shipping agreement between the two countries, will among other things, enable the United States and Chinese fleets each to carry at least a third of the bilateral trade.

Today President Carter and Chinese Vice-Premier Bo Xilai will sign the agreement, as well as textile, civil aviation and consular agreements. A pact for the American government to insure the risks of companies trading in China is also in the works.

The bare figures underline the significance of these developments. Trade was negligible before the reestablishment of diplomatic relations early last year, but now China is America's largest communist trading partner.

In the first half of this year trade between the two countries increased by 104 per cent, with United States exports to China rising by \$74m (£30m) to \$1,487m and with imports from China up by \$207m to \$453m. For the full year the two-way trade is likely to be almost \$4,000m, putting America behind only Hongkong and Japan as China's largest foreign trade partner.

A lot of domestic and foreign policies lie behind these developments and it serves to secure the whole array of new pacts and deals that is making the two countries' interchange extremely exciting. On the domestic front the Carter administration is relishing Mr. Ronald Reagan's uncertainties about Taiwan by demonstrating that the United States is likely to \$2,000m surplus on trade between America and China this year, really pays America to have good relations with the mainland.

The worsening of relations with the Soviet Union has without doubt influenced American attitudes to China trade. The Soviet invasion of Afghanistan prompted a limited trade embargo with America which will reduce United States-Soviet

Trade was negligible until diplomatic relations were established last year. Now the Chinese are the United States' largest communist trading partners

talks have started on a possible bank credit of \$80m for a Chinese steel mill.

In the spring and summer the Carter Administration gradually eased its licensing regulations covering the sort of goods that American companies could sell to China. This liberalization, reflecting the United States desire for closer diplomatic ties with the Chinese, has already resulted in some 400 licences being approved for the sale of electronic and military support equipment.

The main American exports to China are agricultural products, engineering equipment, general machinery and fibres. While the chief imports are oil and oil products, textiles, shoes and, of course, fireworks. The trade pattern in coming years could be quite different.

A series of big aviation deals appears to be in the offing. Boeing has already sold three jumbo aircraft in China this year and the big American aeroplane makers are seeking new contracts. Lockheed, McDonnell Douglas and Boeing are also having talks on building component factories in China.

The scale and pattern of United States exports will be critically influenced, in coming years by decisions taken by the White House on military sales. Bell Helicopter is negotiating the sale of a production plant and there could be some big military contracts. Last week the Chinese told officials from the United States Defence Department that they are keen to buy American arms.

Commerce Department officials in Washington believe credit facilities. Preliminary

that there is every indication that the Chinese will continue expanding grain imports as they seek to raise protein standards for their population. Large-scale cotton exports from America are also expected for the growing Chinese textile industry.

The Chinese view of credits is an important factor for trade growth. So far, in the Chinese, hundreds of American companies will show they are paying hard cash, but they are expected in time to become big users of the Export-Import Bank.

The Chinese are certainly encouraging Americans to increase their sales and the Commerce Department is making a big effort to help American companies to "open up" China. In November some 254 American companies will show their goods in Beijing at the first United States trade fair held in China in more than 30 years.

The outlook depends above all on the economic plans to be drafted in the coming months by the new Chinese leadership. Some experts in Washington believe that these plans will be conservative and that, as a result, trade will be sluggish until late in the decade when China is able sharply to increase its oil sales and so afford to step up its imports.

The United States Secretary of Commerce does not share this dim view and, influenced by all the new agreements being concluded daily Mr. Klutznick says bluntly that trade between the United States and China will total at least \$10,000m by 1985.

Paul Routledge

Frank Vogl

Good news at last for travellers to Zimbabwe. The least defensible air route since the London-Hongkong route has now acquired an economy fare.

British Airways and Air Zimbabwe have agreed to introduce an Apex fare on the London-Salisbury route, thus more than halving the normal return "economy" fare of £1,040 which the monopoly they operate has allowed them to charge.

British Airways' announcement of this new fare is of more than a little interest to Business Diary, which has been complaining about the "inordinate cost of fares to Zimbabwe for some time.

Only a month ago Business Diary got in touch with British Airways after hearing that an Apex fare was imminent. "I can categorically state that this is untrue," said a BA person at the time.

Lo and behold, a few weeks later, another British Airways person telephoned to say that the airline is to introduce such a fare.

"But," we pressed, "why didn't you say this before? An answer is not very forthcoming, but those wishing to fly to Salisbury may now do so from October 1 for £410 return low season, and £470 high.

Mrs Malaprop lives. Two women overheard on the Tube. "Well, I blame Mrs Thatcher for all this unemployment." "Oh no dear, it's not her fault. You should read the papers, it's all caused by the world recession."

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Business Diary: Shipmates depart • Bull for China's shoppers

In the wartime British shipbuilders have effectively run two headquarters, one in the North-East and the other in London. The establishment of a presence for the new state corporation in an assisted area with a tradition of shipbuilding was wished on the original shipbuilders organisation committee by the Labour Government, with Tony Benn the arch proponent. Much executive time has been taken up travelling between the two centres, although an executive jet has helped. This is now being sold off.

The Newcastle move, with the London office reduced to a compact marketing and publicity outfit, should produce a £3m saving in overheads. It has long been considered nonsensical to duplicate the headquarters function, and the decision to concentrate on one of the offices is undoubtedly the right one.

But whether it is right to focus on Newcastle is another matter. There is growing doubt whether a troubled nationalised industry can be effectively run from the North-East. Atkinson clearly believes it can.

The commuters who spent 20 minutes of yesterday morning stuck outside Euston station may have been wondering what caused the delay to their trains. British Rail has not been exactly boasting about the fact, but it was due to the presence of Norman Fowler, the Minister of Transport. He was busy making an inaugural trip on British Rail's advanced passenger train, the one, yet may remember which is destined to make the going easier.



"You have got to admire Mrs Thatcher's impartiality; she will not listen to the CBI either."

London's Ritz Hotel in Piccadilly has a new general manager, fresh from masterminding Arabian nights for European heads of state.

The discreetly pin-striped Duffell might remind one of the pantalooned and obedient major domo from the ballet Schenker, but until now he had such the same job as controller of the Royal Household in Amman.

In the four years he spent in the employ of King Hussein, Duffell had charge of four great palaces, one in Amman, one of the "outsiders, one by the seaside and one for banquets.

Re: the job of the recommendation of the interior design, charged with the sumptuous fittings of King Hussein's new palace, Al Hashimieh, which has reverted to the wife of a grand guest house since the monarch remarried.

Mao must be turning over in his mausoleum. Peking is about to acquire its first representative of a western advertising agency. However, as befits such an egalitarian society, the post has been allotted to a woman.

Angela Newsome, 26, will start work in China next month as sole front woman for McCann-Erickson Jardine. She candidly admits her lack of advertising experience, but for the past few years she has been working in London in the field of China trade.

She speaks the language, has lived in the country and is confident that the agency's first two main accounts, the national airline and travel service, are winners. A thousand million people emerging from total isolation offer a lot of advertising opportunities, she says. Who would disagree?

Mrs Malaprop lives. Two women overheard on the Tube. "Well, I blame Mrs Thatcher for all this unemployment." "Oh no dear, it's not her fault. You should read the papers, it's all caused by the world recession."

Babcock

INTERIM RESULTS

for the six months to 30 June 1980

	First half year (unaudited)	Year (audited)
	1980	1979
Turnover	£000	£000
	407,859	389,358
Profit before taxation	£000	£000
	6,104	15,483
Profit attributable to ordinary shareholders	£000	£000
	4,288	14,817
Ordinary dividends:	Interim	Interim
Cost (£000)	3,695	3,676
Per share	3.4p	3.4p
	7.0p	7.0p

The interim dividend will be paid on 20th October, 1980 to shareholders registered on 19th September, 1980.

* Profits severely affected by the recession in North America and the U.K. and by high interest charges.

* The Group's wide product range and geographical spread make it well able to ride out the present conditions and the longer term outlook remains bright.

* Interim dividend maintained at 3.4p per share.

Copies of the Interim Report may be obtained from The Secretary, Cleveland House, St. James's Square, London SW1Y 4LN.

Babcock International Limited

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Equities close off the bottom

01-6285684

1979-80	1978-79	1977-78	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71	1969-70	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49	1947-48	1946-47	1945-46	1944-45	1943-44	1942-43	1941-42	1940-41	1939-40	1938-39	1937-38	1936-37	1935-36	1934-35	1933-34	1932-33	1931-32	1930-31	1929-30	1928-29	1927-28	1926-27	1925-26	1924-25	1923-24	1922-23	1921-22	1920-21	1919-20	1918-19	1917-18	1916-17	1915-16	1914-15	1913-14	1912-13	1911-12	1910-11	1909-10	1908-09	1907-08	1906-07	1905-06	1904-05	1903-04	1902-03	1901-02	1900-01	1899-00	1898-99	1897-98	1896-97	1895-96	1894-95	1893-94	1892-93	1891-92	1890-91	1889-90	1888-89	1887-88	1886-87	1885-86	1884-85	1883-84	1882-83	1881-82	1880-81	1879-80	1878-79	1877-78	1876-77	1875-76	1874-75	1873-74	1872-73	1871-72	1870-71	1869-70	1868-69	1867-68	1866-67	1865-66	1864-65	1863-64	1862-63	1861-62	1860-61	1859-60	1858-59	1857-58	1856-57	1855-56	1854-55	1853-54	1852-53	1851-52	1850-51	1849-50	1848-49	1847-48	1846-47	1845-46	1844-45	1843-44	1842-43	1841-42	1840-41	1839-40	1838-39	1837-38	1836-37	1835-36	1834-35	1833-34	1832-33	1831-32	1830-31	1829-30	1828-29	1827-28	1826-27	1825-26	1824-25	1823-24	1822-23	1821-22	1820-21	1819-20	1818-19	1817-18	1816-17	1815-16	1814-15	1813-14	1812-13	1811-12	1810-11	1809-10	1808-09	1807-08	1806-07	1805-06	1804-05	1803-04	1802-03	1801-02	1800-01	1799-00	1798-99	1797-98	1796-97	1795-96	1794-95	1793-94	1792-93	1791-92	1790-91	1789-90	1788-89	1787-88	1786-87	1785-86	1784-85	1783-84	1782-83	1781-82	1780-81	1779-80	1778-79	1777-78	1776-77	1775-76	1774-75	1773-74	1772-73	1771-72	1770-71	1769-70	1768-69	1767-68	1766-67	1765-66	1764-65	1763-64	1762-63	1761-62	1760-61	1759-60	1758-59	1757-58	1756-57	1755-56	1754-55	1753-54	1752-53	1751-52	1750-51	1749-50	1748-49	1747-48	1746-47	1745-46	1744-45	1743-44	1742-43	1741-42	1740-41	1739-40	1738-39	1737-38	1736-37	1735-36	1734-35	1733-34	1732-33	1731-32	1730-31	1729-30	1728-29	1727-28	1726-27	1725-26	1724-25	1723-24	1722-23	1721-22	1720-21	1719-20	1718-19	1717-18	1716-17	1715-16	1714-15	1713-14	1712-13	1711-12	1710-11	1709-10	1708-09	1707-08	1706-07	1705-06	1704-05	1703-04	1702-03	1701-02	1700-01	1699-00	1698-99	1697-98	1696-97	1695-96	1694-95	1693-94	1692-93	1691-92	1690-91	1689-90	1688-89	1687-88	1686-87	1685-86	1684-85	1683-84	1682-83	1681-82	1680-81	1679-80	1678-79	1677-78	1676-77	1675-76	1674-75	1673-74	1672-73	1671-72	1670-71	1669-70	1668-69	1667-68	1666-67	1665-66	1664-65	1663-64	1662-63	1661-62	1660-61	1659-60	1658-59	1657-58	1656-57	1655-56	1654-55	1653-54	1652-53	1651-52	1650-51	1649-50	1648-49	1647-48	1646-47	1645-46	1644-45	1643-44	1642-43	1641-42	1640-41	1639-40	1638-39	1637-38	1636-37	1635-36	1634-35	1633-34	1632-33	1631-32	1630-31	1629-30	1628-29	1627-28	1626-27	1625-26	1624-25	1623-24	1622-23	1621-22	1620-21	1619-20	1618-19	1617-18	1616-17	1615-16	1614-15	1613-14	1612-13	1611-12	1610-11	1609-10	1608-09	1607-08	1606-07	1605-06	1604-05	1603-04	1602-03	1601-02	1600-01	1599-00	1598-99	1597-98	1596-97	1595-96	1594-95	1593-94	1592-93	1591-92	1590-91	1589-90	1588-89	1587-88	1586-87	1585-86	1584-85	1583-84	1582-83	1581-82	1580-81	1579-80	1578-79	1577-78	1576-77	1575-76	1574-75	1573-74	1572-73	1571-72	1570-71	1569-70	1568-69	1567-68	1566-67	1565-66	1564-65	1563-64	1562-63	1561-62	1560-61	1559-60	1558-59	1557-58	1556-57	1555-56	1554-55	1553-54	1552-53	1551-52	1550-51	1549-50	1548-49	1547-48	1546-47	1545-46	1544-45	1543-44	1542-43	1541-42	1540-41	1539-40	1538-39	1537-38	1536-37	1535-36	1534-35	1533-34	1532-33	1531-32	1530-31	1529-30	1528-29	1527-28	1526-27	1525-26	1524-25	1523-24	1522-23	1521-22	1520-21	1519-20	1518-19	1517-18	1516-17	1515-16	1514-15	1513-14	1512-13	1511-12	1510-11	1509-10	1508-09	1507-08	1506-07	1505-06	1504-05	1503-04	1502-03	1501-02	1500-01	1499-00	1498-99	1497-98	1496-97	1495-96	1494-95	1493-94	1492-93	1491-92	1490-91	1489-90	1488-89	1487-88	1486-87	1485-86	1484-85	1483-84	1482-83	1481-82	1480-81	1479-80	1478-79	1477-78	1476-77	1475-76	1474-75	1473-74	1472-73	1471-72	1470-71	1469-70	1468-69	1467-68	1466-67	1465-66	1464-65	1463-64	1462-63	1461-62	1460-61	1459-60	1458-59	1457-58	1456-57	1455-56	1454-55	1453-54	1452-53	1451-52	1450-51	1449-50	1448-49	1447-48	1446-47	1445-46	1444-45	1443-44	1442-43	1441-42	1440-41	1439-40	1438-39	1437-38	1436-37	1435-36	1434-35	1433-34	1432-33	1431-32	1430-31	1429-30	1428-29	1427-28	1426-27	1425-26	1424-25	1423-24	1422-23	1421-22	1420-21	1419-20	1418-19	1417-18	1416-17	1415-16	1414-15	1413-14	1412-13	1411-12	1410-11	1409-10	1408-09	1407-08	1406-07	1405-06	1404-05	1403-04	1402-03	1401-02	1400-01	1399-00	1398-99	1397-98	1396-97	1395-96	1394-95	1393-94	1392-93	1391-92	1390-91	1389-90	1388-89	1387-88	1386-87	1385-86	1384-85	1383-84	1382-83	1381-82	1380-81	1379-80	1378-79	1377-78	1376-77	1375-76	1374-75	1373-74	1372-73	1371-72	1370-71	1369-70	1368-69	1367-68	1366-67	1365-66	1364-65	1363-64	1362-63	1361-62	1360-61	1359-60	1358-59	1357-58	1356-57	1355-56	1354-55	1353-54	1352-53	1351-52	1350-51	1349-50	1348-49	1347-48	1346-47	1345-46	1344-45	1343-44	1342-43	1341-42	1340-41	1339-40	1338-39	1337-38	1336-37	1335-36	1334-35	1333-34	1332-33	1331-32	1330-31	1329-30	1328-29	1327-28	1326-27	1325-26	1324-25	1323-24	1322-23	1321-22	1320-21	1319-20	1318-19	1317-18	1316-17	1315-16	1314-15	1313-14	1312-13	1311-12	1310-11	1309-10	1308-09	1307-08	1306-07	1305-06	1304-05	1303-04	1302-03	1301-02	1300-01	1299-00	1298-99	1297-98	1296-97	1295-96	1294-95	1293-94	1292-93	1291-92	1290-91	1289-90	1288-89	1287-88	1286-87	1285-86	1284-85	1283-84	1282-83	1281-82	1280-81	1279-80	1278-79	1277-78	1276-77	1275-76	1274-75	1273-74	1272-73	1271-72	1270-71	1269-70	1268-69	1267-68	1266-67	1265-66	1264-65	1263-64	1262-63	1261-62	1260-61	1259-60	1258-59	1257-58	1256-57	1255-56	1254-55	1253-54	1252-53	1251-52	1250-51	1249-50	1248-49	1247-48	1246-47	1245-46	1244-45	1243-44	1242-43	1241-42	1240-41	1239-40	1238-39	1237-38	1236-37	1235-36	1234-35	1233-34	1232-33	1231-32	1230-31	1229-30	1228-29	1227-28	1226-27	1225-26	1224-25	1223-24	1222-23	1221-22	1220-21	1219-20	1218-19	1217-18	1216-17	1215-16	1214-15	1213-14	1212-13	1211-12	1210-11	1209-10	1208-09	1207-08	1206-07	1205-06	1204-05	1203-04	1202-03	1201-02	1200-01	1199-00	1198-99	1197-98	1196-97	1195-96	1194-95	1193-94	1192-93	1191-92	1190-91	1189-90	1188-89	1187-88	1186-87	1185-86	1184-85	1183-84	1182-83	1181-82	1180-81	1179-80	1178-79	1177-78	1176-77	1175-76	1174-75	1173-74	1172-73	1171-72	1170-71	1169-70	1168-69	1167-68	1166-67	1165-66	1164-65	1163-64	1162-63	1161-62	1160-61	1159-60	1158-59	1157-58	1156-57	1155-56	1154-55	1153-54	1152-53	1151-52	1150-51	1149-50	1148-49	1147-48	1146-47	1145-46	1144-45	1143-44	1142-43	1141-42	1140-41	1139-40	1138-39	1137-38	1136-37	1135-36	1134-35	1133-34	1132-33	1131-32	1130-31	1129-30	1128-29	1127-28	1126-27	1125-26	1124-25	1123-24	1122-23	1121-22	1120-21	1119-20	1118-19	1117-18	1116-17	1115-16	1114-15	1113-14	1112-13	1111-12	1110-11	1109-10	1108-09	1107-08	1106-07	1105-06	1104-05	1103-04	1102-03	1101-02	1100-01	1099-00	1098-99	1097-98	1096-97	1095-96	1094-95	1093-94	1092-93	1091-92	1090-91	1089-90	1088-89	1087-88	1086-87	1085-86	1084-85	1083-84	1082-83	1081-82	1080-81	1079-80	1078-79	1077-78	1076-77	1075-76	1074-75	1073-74	1072-73	1071-72	1070-71	1069-70	1068-69	1067-68	1066-67	1065-66	1064-65	1063-64	1062-63	1061-62	1060-61	1059-60	1058-59	1057-58	1056-57	1055-56	1054-55	1053-54	1052-53	1051-52	1050-51	1049-50	1048-49	1047-48	1046-47	1045-46	1044-45	1043-44	1042-43	1041-42	1040-41	1039-40	1038-39	1037-38	1036-37	1035-36	1034-35	1033-34	1032-33	1031-32	1030-31	1029-30	1028-29	1027-28	1026-27	1025-26	1024-25	1023-24	1022-23	1021-22	1020-21	1019-20	1018-19	1017-18	1016-17	1015-16	1014-15	1013-14	1012-13	1011-12	1010-11	1009-10	1008-09	1007-08	1006-07	1005-06	1004-05	1003-04	1002-03	1001-02	1000-01	999-00	998-99	997-98	996-97	995-96	994-95	993-94	992-93	991-92	990-91	989-90	988-89	987-88	986-87	985-86	984-85	983-84	982-83	981-82	980-81	979-80	978-79	977-78	976-77	975-76	974-75	973-74	972-73	971-72	970-71	969-70	968-69	967-68	966-67	965-66	964-65	963-64	962-63	961-62	960-61	959-60	958-59	957-58	956-57	955-56	954-55	953-54	952-53	951-52	950-51	949-50	948-49	947-48	946-47	
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مذا من راصه

SECRETARY

DIRECTOR

COMMITTEE OF CHAIRMAN

SECRETARIES

MURAL DESIGN

ENGLISH SPINNING SECRETARY PA \$6,500-87,000

Cheese

LEGAL SECRETARY \$6,900-11,100

Cone Correll

ADMIN/W.P. Op \$6,000

de la creme

tomorrow

